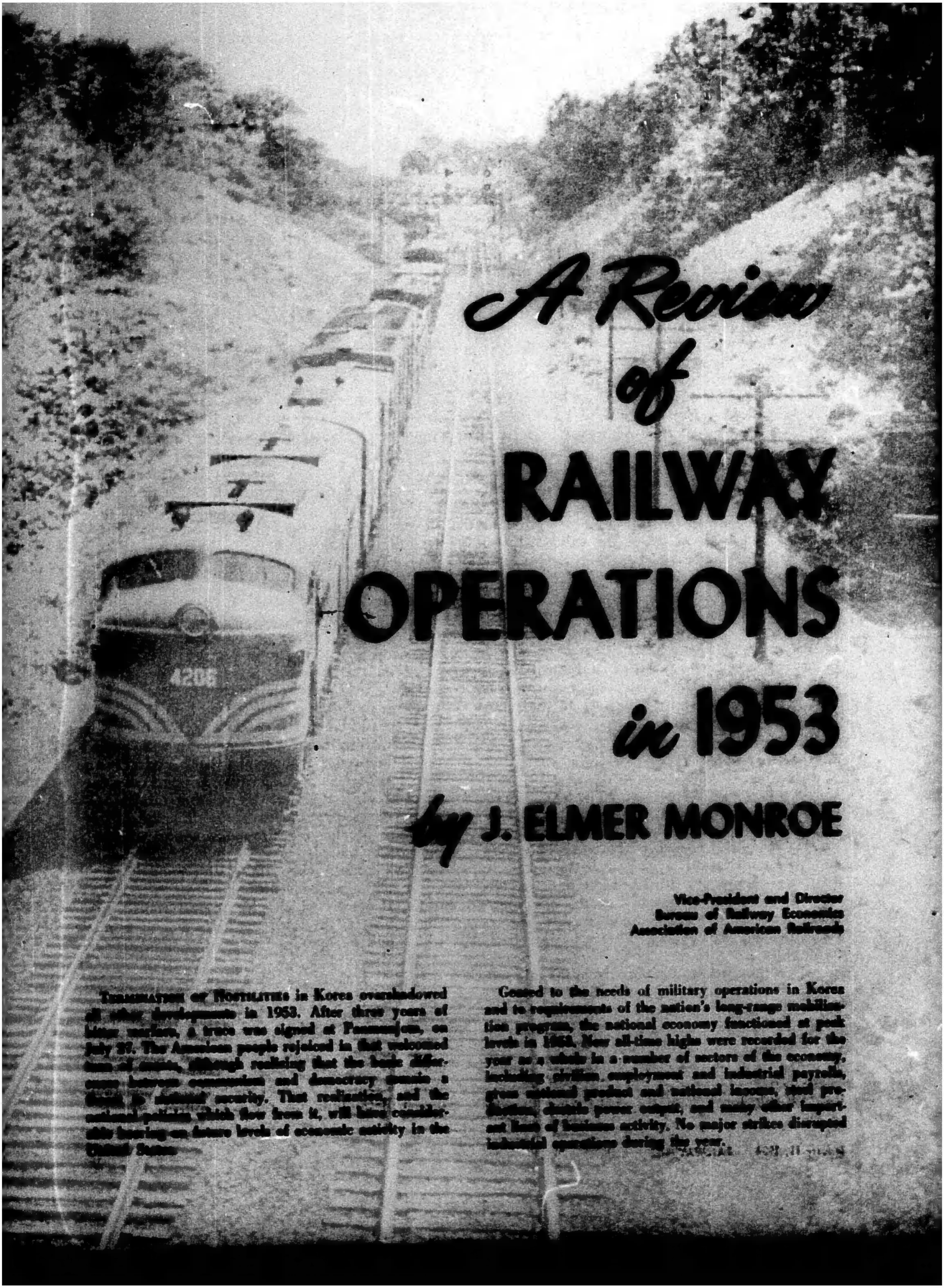

A Review of RAILWAY OPERATIONS in 1953

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Termination of Hostilities in Korea overshadowed all other developments in 1953. After three years of bitter warfare, a truce was signed at Panmunjom, on July 27. The American people rejoiced in that welcomed turn of events, although realizing that the basic difference between communism and democracy remains a threat to national security. That realization, and the national policies which flow from it, will have considerable bearing on future levels of economic activity in the United States.

Geared to the needs of military operations in Korea and to requirements of the nation's long-range mobilization program, the national economy functioned at peak levels in 1953. New all-time highs were recorded for the year as a whole in a number of sectors of the economy, including civilian employment and industrial payrolls, gross national product and national income, steel production, electric power output, and many other important lines of business activity. No major strikes disrupted industrial operations during the year.

THE YEAR IN BRIEF

Briefly summarized, changes in the principal traffic and income account items of Class I railways, 1953 compared with 1952, as reflected by actual returns for the first ten months of 1953 and estimates for the last two months, were as follows:

1. Freight ton-miles were off about one per cent and passenger-miles declined by about 7 per cent.

2. Operating revenues reached a new all-time high, about one and one-half per cent above the previous high recorded in 1952. The fact that full Ex Parte 175 freight rate increases were in effect for the entire year 1953, but only the last 8 months of 1952, accounted for the increase in revenues.

3. Operating expenses also reached a new high, approximately one-half of one per cent above 1952. Slightly higher wage rates and material prices were responsible for the increase.

4. Railway tax accruals increased by about three per cent, notwithstanding additional income tax deferrals of about $45 million resulting from further authorizations for accelerated amortization of defense projects. Had it not been for these increased income tax deferrals, the dollar increase in expenses and taxes would very nearly have equaled the dollar increase in revenues.

5. Net railway operating income in 1953 approximated $1,125 million, an increase of $47 million over 1952. The rate of return earned on average net property investment for the year was 4.23 per cent, compared with 4.16 per cent in 1952.

6. Net income after charges in 1953 approximated $900 million, compared with $825 million in the preceding year.

Tempering the significance of these record-breaking accomplishments for the year as a whole, however, was the downturn in business trends which developed following the truce in Korea. The declines from the peaks established during the first seven months of the year have been moderate and have proceeded in an orderly way. Many indicators point to a continuation of these moderate and orderly declines until the period of adjustment has run its course. On the other hand, a degree of uncertainty attaches to any period of economic adjustment, however narrow in scope it may appear to be at the outset. It was on such a note of uncertainty that the year 1953 came to an end and the year 1954 opened.

ECONOMIC ADJUSTMENTS UNDER WAY

[redacted]ailroad operations in 1953 reflected, to a considerable degree, developments during the year in the national economy. Freight traffic showed a moderate increase during the first eight months of the year, but this gain was virtually wiped out in the final months. Passenger traffic declined, sharply in the first half of the year, more moderately in the second. Net earnings increased in each of the first seven months of 1953, but recorded decreases in each of its last five months. For the year as a whole, net railway operating income showed an increase of about 4 per cent over 1952, and net income increased by about 9 per cent.

While there were no major changes in freight rates during 1953, the year was not without developments in that field. Most important was denial by the Interstate Commerce Commission, on July 29, of the rail carriers' petition for authority to make permanent the increases in freight rates and charges previously authorized in Ex Parte 175. Those increases, in the form of surcharges to freight bills, were due to expire on February 28, 1954. In its order, the commission did, however, extend the expiration date to December 31, 1955.

In passenger-train service, the commission, in April, approved an increase in basic passenger fares of 10 per cent for a group of Southwestern railroads and in July authorized an increase of 15 per cent in express rates. An understanding between the postmaster general and the railroads, subject to commission approval at hearings scheduled for January 6, 1954, will increase mail pay rates by 10 per cent retroactive to October 1, 1953.

There were a number of adjustments in railroad wage rates during the year, some up and some down. The net result of these changes was an average wage rate in 1953 about 4 cents per hour higher than in 1952. The most important development in this field, however, was the filing of demands for either new wage increases or "fringe benefits" or both by all railroad labor organizations. As later developed in some detail, these demands aggregate staggering sums, and coming at a time when current railroad traffic and earnings' trends are down, pose a serious problem to the railroad industry. The demands of the Brotherhood of Railroad Trainmen were settled on December 16. At the year's end, demands of the other organizations were in various stages of the collective bargaining procedure prescribed in the Railway Labor Act. Until these important matters involving 63 per cent of railroad operating expenses are resolved, it is difficult to foresee what 1954 may hold for the railroads in the way of financial results.

No legislation of major importance to the railroads was enacted in 1953. However, important measures which the railroads advocate and others which they oppose received active consideration during the first session of the 83rd Congress. A number of these measures will undoubtedly be further considered in the course of the second session.

Prominent among the measures supported by the railroad industry is the so-called "Time-Lag" bill which would speed up the process of adjusting rates following the impact of increased wage and other costs. The railroads also advocate repeal of the excise taxes on amounts paid for transportation (15 per cent on passenger tickets and 3 per cent on freight charges). Additionally, the

railroads have proposed a number of revisions of the Internal Revenue Code designed to eliminate inequities.

Measures to which the railroads are opposed and which may be actively considered during the second session of the 83rd Congress include bills which would prevent effective regulation of motor-carrier trip leasing practices, would provide for construction of the St. Lawrence Waterway, would extend the regulatory authority of the Interstate Commerce Commission with respect to operating rules and facilities, and would revise and make more restrictive the present provisions of the Hours of Service Act.

While the year 1953 was on the whole a fairly good one for the railroads, it ended on a disquieting note. Down trends in general business activity, unsettled wage demands, and continued inroads of competitive agencies of transport into railroad traffic make the outlook for 1954 uncertain. On the other hand, expenditures since the end of World War II of more than $9 billion for capital improvements having greatly strengthened the railroad physical plant, the carriers entered 1954 at peak levels of operating efficiency and economy.

LITTLE CHANGE IN TRAFFIC TRENDS

Statistical entries appearing in this review relate to line-haul railways of Class I and were obtained from reports of the Interstate Commerce Commission or tabulations of the Association of American Railroads. At the time of preparation of this review, actual data were available only for the first 9 or 10 months of 1953. Therefore, all entries for the year 1953 in the statistical tables which follow are partially estimated. In some cases, such as the detailed financial results and performance averages, it is impracticable at this time to make estimates for the year as a whole. In those instances, the periods covered by the statistics are indicated in the table headings. However, estimates for the year as a whole for some of the more important income account items appear in the textual discussion.

Table 1 shows statistics of railroad freight and passenger traffic volumes over the past 10 years, 1944 to 1953. As there indicated, freight traffic in 1953 showed only a minor change from the preceding year. Expressed in terms of carloadings, freight volume *increased* in 1953 by about one per cent. Freight ton-miles, on the other hand, *decreased* by about one per cent due to reductions in average length of haul and in average load per car. Passenger traffic *declined* in every month but one of 1953, and for the year was approximately 7 per cent below 1952.

Carloadings of revenue freight increased from 37,985,000 in 1952, to 38,303,000 in 1953, that is, by 0.8 per cent. Loadings in 1953 were thus the third lowest experienced in the postwar period, being 6,200,000 cars fewer than the high year, 1947, but 2,400,000 cars more than in 1949, when postwar traffic was at its lowest point.

Of the eight carloading groups, three showed increases—ore, coke, and miscellaneous. Forest products, coal, grain, l. c. l., and live stock all registered declines. Loadings of ore, which increased by 18.6 per cent, were the greatest on record, the aggregate of 3,146,000 being about 130,000 cars greater than the number loaded in 1942, the previous record year. The greatest relative decline took place in loadings of live stock (8.1 per cent). Loadings of l. c. l. declined 5.1 per cent, while grain and coal declined by 4.2 per cent and 5.0 per cent, respectively, as compared with 1952.

Table 1—Comparative Traffic Summary

1944-1953

Year	Revenue carloadings (thousands)	Revenue ton-miles (millions)	Revenue passenger-miles (millions)
1953*	38,303	610,000	31,700
1952	37,985	614,754	34,010
1951	40,499	646,620	34,614
1950	38,903	588,578	31,760
1949	35,911	526,300	35,095
1948	42,719	637,917	41,179
1947	44,502	654,728	45,921
1946	41,341	591,982	64,673
1945	41,918	681,801	91,717
1944	43,408	737,246	95,549

*Partially estimated

Table 2—Carloadings by Commodity Groups

(1953 vs. 1952)

Commodity Group	1953 (000)	Increase (I) or Decrease (D) compared with 1952: Number (000)	per cent
Ore	3,146	I 492	I 18.6
Coke	693	I 20	I 3.0
Miscellaneous	19,407	I 483	I 2.6
Forest Products	2,360	D 10	D 0.5
Grain	2,458	D 107	D 4.2
Merchandise, L.C.L.	3,504	D 187	D 5.1
Coal	6,303	D 334	D 5.0
Live Stock	452	D 40	D 8.1
Total	38,303	I 318	I 0.8

Ton-miles of revenue freight aggregated 610 billion in 1953, a decrease of about 5 billion ton-miles or 0.8 per cent below 1952. In the seven preceding postwar years (1946-1952), ton-miles averaged 609 billion per year. Thus, in terms of ton-miles, 1953 was only slightly better than an average postwar year.

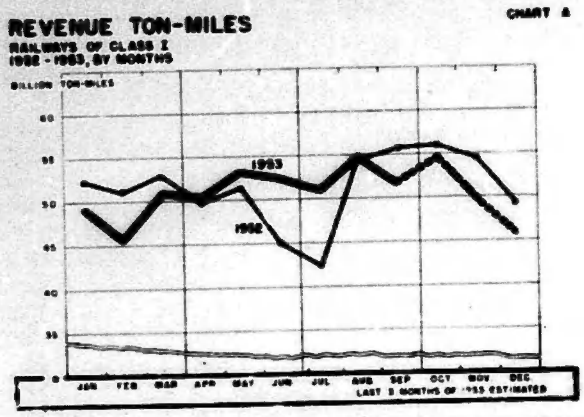
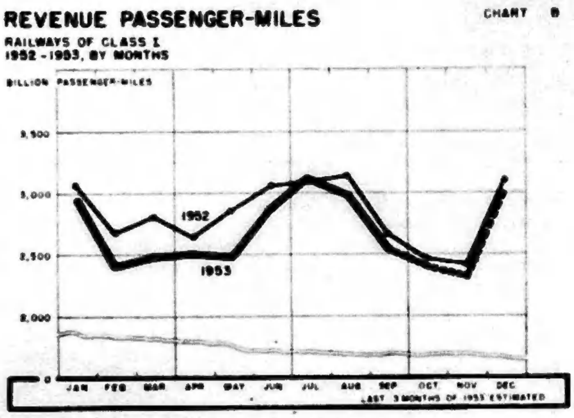


Chart A shows the monthly trends in ton-miles during the years 1952 and 1953. As there indicated, ton-miles in 1953 fell below those of 1952 in each of the first 3 months, showed increases in each of the next 5 months, and declined in each of the last 4 months. The dotted lines on the chart, for the last 3 months of 1953, represent estimates based on trends in carloadings. The wide spread in ton-miles in the months of June and July of the two years was due, of course, to the 55-day strike in the steel industry in 1952. Curtailed government spending, and the reduction in long haul military traffic to the West Coast following the Korean truce, played important roles in the traffic decline experienced in the last quarter.

Revenue passenger-miles declined for the second consecutive year, the 1953 aggregate being about 7 per cent below the total for 1952. The trend in the first 6 months was downward, averaging 8.5 per cent below the corresponding total for 1952. During the last half of the year, however, passenger traffic became more stable, showing a reduction of about 5 per cent under the last 6 months of 1952. Passenger-miles for the year 1953 totaled about 31.7 billion, compared with 34.0 billion in 1952.

Chart B shows the trends by months in passenger-miles during the years 1952 and 1953. The dotted line for the last 3 months of 1953 represents estimates. The narrowed spread between the lines in the last halves of the two years is obvious.



FINANCIAL RESULTS SHOWED IMPROVEMENT

Despite the fact that both freight and passenger traffic (expressed in terms of ton-miles and passenger-miles) declined in 1953, financial results of Class I railways showed improvement. The improvement was due in part to the 6.8 per cent increase in freight rates which went into effect in May 1952. Thus, while 1952 earnings were benefited by the increase in the last eight months of the year only, 1953 earnings reflected the effects of the higher rates during the full calendar year. Another factor in the improved showing was the increase of some $45 million in income tax deferrals arising from amortization of defense projects.

For the first ten months of the year, operating revenues aggregated $9,017 million, a new record for the period. Operating expenses were also at an all-time high. As a result of improved earnings, taxable income maintained a relatively high level, reflected in taxes which were greater than in any comparable period in the eight postwar years.

Net railway operating income and net income after charges were both greater in the ten-month period of 1953 than in the corresponding period of the previous year.

Financial results of Class I railway operations for the first ten months of 1953 are set out in Tables 3 through 5. For comparative purposes, like periods for the years 1952 and 1951 are also shown.

Table 3 shows the principal items of the income account. Comparing the first ten months of 1953 with the corresponding period of 1952, operating revenues were up 3.2 per cent; operating expenses increased 1.5 per cent; net railway operating income increased 11.2 per cent; and net income was up 17.5 per cent. The tax rise of 3.6 per cent was due almost entirely to an increase in federal income taxes.

Table 3—Condensed Income Account

Ten Months, 1951-1953

	1953 (millions)	1952 (millions)	1951 (millions)
Total operating revenues	$9,017	$8,739	$8,586
Total operating expenses	6,781	6,681	6,700
Operating ratio (per cent)	75.2	76.5	78.0
Taxes	$1,085	$1,048	$ 984
Net railway operating income	953	857	733
Net income after charges	740	630	496

Table 4—Operating Revenues

Ten Months, 1951-1953

	1953	1952	1951
Freight	$7,588	$7,258	[illegible]
Passenger	706	757	740
Mail	250	256	209
Express	109	108	66
All other	364	360	368
Total	$9,017	$8,739	$8,586

Table 4 shows the principal items of operating revenue. Three of the five accounts increased, 1953 over 1952, while two showed decreases. Freight revenue increased over 1952 by 4.5 per cent, the composite effect of virtually the same traffic volume, on the one hand, and increased rates effective throughout the year, on the other. Passenger revenue declined by 6.8 per cent.

Mail revenue declined by 2.4 per cent while express revenue remained substantially the same, increasing by 0.8 per cent. All other revenues was greater by 1.3 per cent.

Principal operating expense accounts are shown in Table 5. Of the principal expense accounts, the two relating to maintenance showed modest increases in 1953—4.3 per cent in the case of maintenance of way, and 1.9 per cent for maintenance of equipment. Transportation expenses were less by one-tenth of one per cent.

Table 5—Operating Expenses
Ten Months, 1951-1953

	1953 (millions)	1952 (millions)	1951 (millions)
Maintenance of way	$1,322	$1,268	$1,246
Maintenance of equipment	1,652	1,620	1,630
Transportation	3,233	3,237	3,291
Traffic, general, and other	574	556	533
Total	$6,781	$6,681	$6,700

Table 6 shows for each year of the latest ten-year period the net railway operating income and rate of return earned on average net investment. Net railway operating income exceeded one billion dollars in five of the ten years shown, the net operating income being estimated at $1,125 million for 1953. Also, in five of the ten years (including 1953) the rate of return was 4 per cent or more; in the other five years, it was less than 4 per cent, being less than three per cent in 1946 and 1949.

The weighted average rate of return for the ten years included in Table 6, 1944 to 1953, was 3.84 per cent. This return is inadequate by any reasonable standard of measurement. It falls far short of adequacy under conditions of near top production levels and general prosperity which now prevail.

The railroads are under obligation constantly to improve their plant, order more rolling stock and step up the efficiency and economy of their operations. To accomplish these ends their net earnings should be adequate to attract the new capital needed to finance a substantial proportion of the heavy expenditures so necessary to the success of the improvement program.

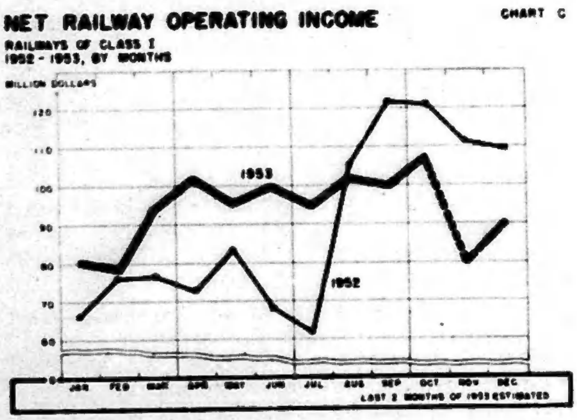
Chart C shows the net railway operating income, by months, for 1952 and 1953.

Another measure of relative net earnings is the ratio

Table 6—Rate of Return
1944-1953

Year	Net railway operating income (millions)	Rate of return on investment after depreciation *
1953 (est.)	$1,125	4.23%
1952	1,078	4.16
1951	943	3.76
1950	1,040	4.28
1949	686	2.88
1948	1,002	4.31
1947	781	3.44
1946	620	2.75
1945	852	3.70
1944	1,106	4.70

* "Rate of return" is computed on average property investment of the carriers, including investment in road and equipment, material and supplies, and cash, and after deducting accrued depreciation, at the beginning and end of the year.



of such earnings to total revenues. That ratio is frequently expressed in terms of cents remaining for net railway operating income out of each dollar of gross revenues. During the 20 years prior to World War II, it averaged 15.7 cents per dollar of gross, and ranged between a low of 10.4 cents per dollar in 1932, and a high of 19.9 cents per dollar in 1929. This peak of 19.9 cents was again attained in 1942, a war year, but from that point the ratio decreased to 8.0 cents in 1949 (an all-time low). For the past four years the ratio has fluctuated around the 10-cent level.

RAILROAD REORGANIZATIONS MARK TIME

During 1953, one Class I railroad was discharged from bankruptcy. By order of the New Jersey Federal District Court on June 3, sixteen years of trusteeship were terminated for the New York, Susquehanna & Western. As a result of this action, the total number of railroads in the hands of the courts at year end was reduced to 39, of which 11 were railways of Class I.

The Missouri Pacific reorganization proceedings encompass six of the 11 Class I railroads in receivership or trusteeship. In May, the U. S. District Court in St. Louis denied the debtor company's petition for leave to file a plan of reorganization under Section 20b of the Interstate Commerce Act (Mahaffie Act). Thereafter, in June, the Interstate Commerce Commission held a hearing pursuant to provisions of Section 208 of the Bankruptcy Act for the purpose of determining whether changed conditions since certification to the court of the commission's 1949 plan of reorganization call for modification of that plan.

Plans of reorganization offered in evidence by various parties as modifications of the commission plan provided, without exception, for recognition of presently outstanding Missouri Pacific preferred and common stock interests. With the exception of the modified plan of the independent directors of Missouri Pacific, all provided for merging the properties of the several debtors into a single company. The modified plan of the independent

directors proposed separate reorganizations of the principal debtors, preservation of the existing system by continuance of intercorporate relationships of the present character, and implementation of Section 208 provisions relative to the use of surplus cash for retirement of debt at a discount through substantial sinking funds provided for that purpose. At year end, the examiner's proposed report with respect to the issues raised by the Section 208 proceedings had not been issued.

In the Florida East Coast reorganization, the 5th Circuit Court reversed, on a split 3 to 2 decision handed down January 19, the district court's disapproval of the Interstate Commerce Commission's plan providing for merger of the debtor's properties with those of the Atlantic Coast Line. A petition for writ of certiorari was filed March 21 by the St. Joe Paper Company and on May 4 the Supreme Court agreed to review the single question of whether the commission with court approval and confirmation may, on a finding of public interest, require merger of the debtor's property over the objection of holders of a majority amount of a large class of bonds having a lien on most of the debtor's property. Argument was held on October 15. At year's end no decision had been announced.

With the exception of the preferred stock, all classes of Wisconsin Central securities voted acceptance of the revised Interstate Commerce Commission plan for reorganization of that road promulgated March 17, 1952, and approved by the district court in Minneapolis in 1953. The approval of the district court was, however, appealed by the debtor company in August. A preferred stockholder's committee also joined in this appeal, and argument before the 8th Circuit Court was held December 8.

The commission, on October 29, permitted a group of refunding mortgage 4 per cent bondholders to file a new plan of reorganization for the New York, Ontario & Western which would provide that the Kingston & Port Jervis be operated separately.

In the Long Island Rail Road proceedings, the commission authorized the withdrawal of the Long Island Transit Authority's plan. The effect of this action was to leave the Pennsylvania Railroad's proposed plan of 1951 (as amended November 4, 1953) as the only submission by the parties at the hearings concluded December 18, 1953. At year end, briefs preliminary to the examiner's proposed report were due to be filed February 20, 1954.

During the year, no important developments occurred in the case of the Georgia & Florida, the lone Class I railroad in receivership.

In the three cases of large railroads seeking to modify their capital structures voluntarily under Sec. 20b (Mahaffie Act) of the Interstate Commerce Act, the commission took the following actions: Closed the Boston & Maine proceedings by ruling on April 21 that stockholder assents had been lawfully procured in January 1951 and in the required number to place the 1950 stock modification plan in effect; held hearings in May on a Western Maryland recapitalization plan designed to eliminate dividend arrearages on the 7 per cent cumulative first preferred stock; held hearings on the Missouri-Kansas-Texas proposal to issue new stock so as to wipe out arrearages on that road's present cumulative preferred stock.

In reorganization proceedings involving smaller railroads, the commission approved a plan of reorganization for the New Jersey & New York whereby the Erie would acquire all of the debtor's properties and assets except certain special reserve accounts. A second proposed examiner's report suggested merger of the Boston & Providence with the New Haven, which has been operating B&P properties since 1893.

EMPLOYMENT DOWN BUT WAGES ADVANCED

The railroad payroll in 1953 stood at about $5,350 million, somewhat higher than in the two preceding years, 1952 and 1951. The 1953 payroll was paid to an average of 1,210,000 employees, which was 17,000 fewer employees than in 1952 and 66,000 fewer than in 1951. Annual earnings averaged $4,420 per employee in 1953, or 1.6 per cent greater than the average of $4,352 for 1952. The 1953 average was 62.1 per cent higher than the 1944 wartime peak of $2,726, and nearly two and one-third times the prewar average of $1,913 in 1940.

Average straight time rate of pay of railroad employees stood at $1.88 per hour in 1953, or 2.2 per cent above the 1952 average. It was more than twice as great as the 1944 rate, and more than two and one-half times the 1940 prewar rate.

Table 7 shows the average number of railroad employees, the total payroll, average annual earnings per employee, and average straight time rates of pay and earnings per hour for the years 1940, and 1944 through 1953.

Wage agreements in effect in 1953 for most railroad employees were entered into in 1951 and 1952. Those agreements, among other things, contained provisions for a quarterly automatic cost-of-living wage adjustment commencing April 1, 1951. During the last quarter of 1953, the cost-of-living wage increases in effect amounted to 13 cents per hour.

The agreements also contained provisions prohibiting the initiation prior to October 1, 1953, of further proposals for changes in rates of pay. This clause was subject to a so-called "reopening" provision to the effect that if government wage stabilization policies permitted so-called annual improvement or productivity wage in-

Table 7—Employees and Their Compensation

Year	Average number of employees	Total payroll (millions)	Average annual earnings of employees	Average straight time hourly Rate	Average straight time hourly Earnings
1953*	1,210,000	$5,350	$4,420	$1.88	$1.97
1952ª	1,226,663	5,338	4,352	1.84	1.94
1951ª	1,276,000	5,336	4,182	1.76	1.84
1950ª	1,220,784	4,621	3,785	1.58	1.65
1949	1,191,444	4,419	3,709	1.44	1.51
1948	1,326,906	4,769	3,594	1.31	1.37
1947	1,351,961	4,350	3,218	1.17	1.22
1946	1,358,838	4,170	3,069	1.12	1.16
1945	1,420,266	3,860	2,718	0.93	0.97
1944	1,413,672	3,853	2,726	0.93	0.97
1940	1,026,956	1,964	1,913	0.74	0.77

*Partialy estimated. ª Includes retroactive wage increases.

creases, the parties might meet with the President of the United States, or his designee, on or after July 1, 1952, to consider the justification of further wage adjustments. Acting under this clause, the railroad labor organizations demanded an upward adjustment in wage rates. On December 1, 1952, the President appointed Professor Paul N. Guthrie of the University of North Carolina as his designee to serve as referee in the dispute.

The Guthrie Award. Mr. Guthrie scheduled hearings in New York to consider whether or not further wage increases were justified under the "reopening" clause in railroad labor contracts. Formal hearings commenced on January 6, and continued until January 23, 1953. The award of the referee was issued on March 18, 1953. He found "that further wage increases are justified" and awarded an increase of 4 cents per hour, retroactive to December 1, 1952. In connection with the question of annual improvement or productivity increases, the referee stated:

". . . it is unnecessary to reach any conclusions with respect to whether a wage plan providing for annual improvement increases is desirable, or whether such a plan is preferable to a more informal recognition of the productivity concept. The parties involved in this case are able and experienced in the techniques and arts of collective bargaining. That is the proper forum in which they should decide when, how and if they wish to recognize productivity in relation to wage adjustments in a longer time perspective. The decision in the instant case arises out of a particular set of circumstances and facts and within a particular time span, and it does not pretend to pass judgment on how the parties should deal with the productivity issue in relation to wages in the future."

Cost-of-Living Increases

Escalation Provisions. The cost-of-living escalation clause in the wage agreements entered into in 1951 and 1952 provided for adjustments of one cent per hour, upward or downward, for each one point change in the Consumer's Price Index (old series) compiled and published by the U. S. Bureau of Labor Statistics. With the discontinuance of the old series index in June 1953, the parties requested the commissioner of labor statistics to furnish the equivalent brackets under the revised index which would correspond to the brackets of the old series. The commissioner, replying on August 25, 1953, pointed out that "the key to the problem is the choice of the month of conversion" and "in the absence of a prior agreement on this point . . . we in the bureau are not in a position to make that interpretation."

On September 16, 1953, representatives of the labor organizations and the railroads met further to consider the matter. That meeting culminated in an agreement providing that the quarterly cost-of-living allowance beginning October 1, 1953, would be one cent for each six-tenths of a point change in the revised Consumer Price Index. The index of 178.0, the base from which the cost-of-living allowance was measured in the old series, was revised to a new base of 107.0 for purposes of measuring the quarterly adjustment.

Carmen. At the beginning of 1953, the railroads had before them a long-standing request from the Brotherhood of Railway Carmen to increase the rates of pay of freight carmen to the same level as that paid passenger carmen. Finally, on June 4, 1953, agreement in settlement of the dispute was consummated. It provided for an increase of 4 cents per hour in the rates of pay of freight carmen, thereby reducing the differential between the rates of passenger and freight carmen from 8.4 cents to 4.4 cents per hour. The agreement also provided rules in regard to the employment and upgrading of apprentices in these occupations.

BROTHERHOODS PRESS FOR WAGE INCREASES

[redacted]*on-operating Employees.* As the 1951 agreement with railroad non-operating employees did not provide for a moratorium on *rules* changes as did the agreements with the operating unions, the non-operating organizations filed demands on May 22, 1953, for longer vacations, double pay for working on holidays in addition to the regular pay for such holidays, health and welfare benefits, extra pay for Sunday work, and liberalized free transportation privileges. The carriers filed proposals for changes in a number of rules for the purpose of relaxing restrictive and make-work practices.

Conferences between representatives of the non-operating organizations and railroad committees commenced in Chicago on November 3, 1953, at which time the carriers reiterated their position, taken earlier on the individual properties, that the employees' proposals for health and welfare benefits and unrestricted free transportation privileges do not come within the category of subjects for collective bargaining under the Railway Labor Act. The employees declined to withdraw their proposals on these subjects and rejected the railroads' offer to negotiate the other pending proposals. After termination of the conferences by the employees on November 4, 1953, the railroads petitioned the U. S. District Court at Chicago for a declaratory judgment to determine whether or not such proposals are subject to negotiation.

In the meantime, on October 20, the non-operating organizations requested the services of the National Mediation Board, and on November 4, requested the board to begin mediatory efforts immediately. Members of the Mediation Board met with the parties on November 9, and on November 11, 1953, the case was officially docketed. Mediation was recessed on December 17. On December 28 the President created an emergency board to investigate the dispute and make recommendations.

Maintenance-of-Way Employees. For about three years, the railroads have had before them notices of the desire of the Brotherhood of Maintenance-of-Way Employees to revise and supplement existing agreements so as to provide for stabilized employment. The Eastern railroads set up a Conference Committee to handle this matter, but the Western and Southeastern railroads have taken no action to date. The Eastern Carriers' Conference Committee, on April 24, 1953, entered into an agreement to the effect that the Eastern railroads would review the programming and budgeting of maintenance-of-way work to the end that complaints as to unreasonable fluctuations in the number of maintenance-of-way employees may be minimized, realizing that no satisfactory formula has yet been devised for application to railroads as a group. The committee was continued in existence for

a period of not less than two years in order that, if necessary, the parties may again confer.

Train Dispatchers. On November 5, 1953, agreement was reached with the Train Dispatchers' organization disposing, in part, of demands which had been served almost a year earlier covering paid sick leave, additional vacation days, and an "improvement factor" wage increase. The agreement provided for a wage increase of $8.00 per month (the equivalent of 4 cents per hour) retroactive to December 1, 1952, the same hourly increase provided for in the Guthrie Award covering operating and non-operating employees. Certain of the rules changes proposed by the dispatchers were withdrawn and action on the proposals for sick leave and vacations, together with certain carrier proposals for changes in rules, was deferred for later negotiation between the Carriers' Conference Committees and the American Train Dispatchers Association.

Conductors. The conductors, in the summer of 1953, renewed their 1949 proposal for establishment of graded rates of pay in all classes of service, based on weight-on-drivers of locomotives. This demand was originally considered and rejected as part of the general 40-Hour Week Wage and Rules dispute. The demand was renewed by the conductors in June 1953, despite the moratorium on changes in rates of pay and working conditions until October 1, 1953, contained in the May 23, 1952, wage and rules agreement with the conductors. A threatened strike of conductors set for September 10, 1953, was cancelled as agreement was reached on September 3, 1953, whereby the demand for graded rates of pay would be handled by the railroads after October 1, 1953. Negotiations on this demand on the individual properties were concluded without settlement, and meetings between the Carriers' Conference Committees and the Order of Railway Conductors commenced on December 9, 1953. Meetings between the parties were terminated on December 15, and the services of the Mediation Board were jointly invoked. It is expected that mediation will begin January 11, 1954.

Demands Served October 1

Engineers, Firemen, Trainmen and Switchmen. On October 1, 1953, the four organizations representing employees in those occupations requested general wage increases. The Engineers' notice requested that basic daily rates be increased by 30 per cent; the Firemen requested an increase in basic wage rates of 37½ cents per hour, or $3.00 per basic day, with an additional increase of 37½ cents per hour for yard employees working under 5-day week agreements; the Trainmen sought an increase in basic wage rates of 37½ cents per hour, or $3.00 per basic day; the Switchmen requested an increase of 40 cents per hour. All four organizations asked to have part of all of the cumulated cost-of-living increases to date incorporated in basic rates.

In addition, the Switchmen requested that rates of pay for switchmen working on the second shift be further increased by 10 cents per hour and that for the third shift a differential of 15 cents per hour be established. They requested double time for performing service on holidays, and double time instead of time and one-half for all overtime. Additional vacation days were sought, as well as sick leave with pay and hospital, medical and surgical care.

On December 9, the Carriers' Conference Committees and representatives of the Firemen, Trainmen and Switchmen conferred. By agreement dated December 16, the carriers and the Trainmen settled their dispute by eliminating the cost-of-living escalation clause of their contract, incorporating the cumulated 13 cents per hour cost-of-living allowance into basic rates, granting a further 5-cent per hour increase in basic rates as of December 16, and granting an additional week's vacation (a total of three weeks) for employees having fifteen or more years of service.

Conferences with the Switchmen were terminated on December 17 and with the Firemen on December 18, as further handling was deferred until after January 1, 1954. After a preliminary conference with the Engineers, the handling of their wage demand was deferred until January 6, 1954.

The Diesel Arbitration. An arbitration board began hearings in Chicago on October 27, 1953, to determine whether or not the railroads are violating that section of the Diesel Agreements which provides that a fireman (helper) shall be in the cab at all times when a train is in motion in high-speed, streamlined, or main-line through passenger service, and further that if compliance with the foregoing requires the services of an additional man to perform the work customarily done by the fireman (helper), he shall be taken from the ranks of the firemen. This arbitration proceeding was provided for in the Firemen's Mediated Diesel Agreements of May 17, 1950. Hearings have been held intermittently, and are scheduled to resume on January 11, 1954.

Union Shop. By April 1953, a majority of Class I railroads had entered into union shop agreements covering some or all of the employees represented by labor unions. Commencing in April and May 1953, negotiation on union shop agreements on several railroads in the South and West was blocked by pending civil suits. On still other railroads certain employees sought, by court action, to restrict enforcement of union shop agreements. By the end of the year at least a dozen separate cases were pending in the courts in which the plaintiff employees seek restraining orders against the defendant railroads and unions prohibiting either the negotiation of union shop agreements or the enforcement of union shop agreements which had been negotiated.

MATERIAL PRICES AND WAGE RATES

The index of average unit prices of railway material and supplies, compiled quarterly by the Bureau of Railway Economics, has recently been revised and the base of the index (the period taken as 100) changed to the mid-year average of 1947-1949. This change was made in order to put the railroad price index on the same basis, from the standpoint of timing, as the wholesale and retail price indexes compiled by the United States Bureau of Labor Statistics.

The revised index is shown for various dates from 1939 to 1953 in Table 8.

Table 8—Railway Material Price Index
(Mid-year, 1947-1949=100)

Month	All materials including fuel	Material & supplies (other than fuel)	Fuel (coal & oil)
October 1953	123.8	131.1	111.8
July 1953	123.4	131.1	110.6
April 1953	121.1	128.4	109.3
January 1953	119.7	126.8	108.2
October 1952	118.5	126.3	105.9
July 1952	118.0	124.2	108.0
April 1952	119.0	124.6	109.8
January 1952	119.4	124.3	111.5
July 1951	119.7	124.4	112.1
July 1950	107.1	109.0	104.1
July 1949	102.5	104.7	98.8
December 1948	111.9	110.1	114.8
December 1945	71.1	72.1	69.3
December 1939	52.6	55.5	47.5

Table 9—Material Prices and Wage Rates
(Average 1947-1949=100)

Year	Charge-out prices for all materials including fuel	Wage rates (all employees)	Material prices and wage rates combined
1953 (prel.)	122.0	143.5	137.1
1952	119.1	140.8	134.3
1951	117.5	134.1	129.1
1950	105.7	120.5	116.1
1949	106.4	110.0	108.9
1948	104.7	100.2	101.6
1945	69.3	71.2	70.6
1939	52.0	56.5	55.2

Between December 1939 and July 1951, the all-material index rose from 52.6 to 119.7. The index fell slightly to 118.0 in July 1952, but turned upward again thereafter, standing at a new all-time high of 123.8 in October 1953. The all-material index in October 1953 was 135.4 per cent above December 1939. During the year 1953, the index rose from 119.7 in January to 123.8 in October, an increase of 3.4 per cent.

Both the fuel and other-than-fuel segments of the index have shown generally similar patterns of movement since December 1939. The principal difference occurred in the case of fuel where prices as of October 1953 were still lower than their peak, which occurred in December 1948.

The indexes in Table 8 show the trend in spot prices. A charge-out price index (reflecting original cost of materials consumed) is shown in Table 9, as well as an index for wage rates, years 1939, 1945, and 1948 to 1953.

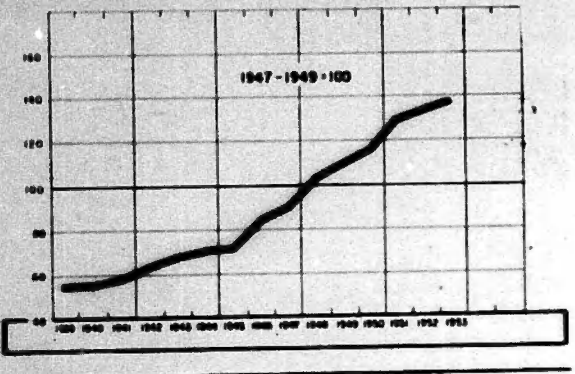
Data on the length of time material and supplies are held in stock or on hand before being used form the basis for converting spot prices into charge-out prices.

Between 1939 and 1953, the charge-out index for material prices and wages combined (average 1947-1949=100) rose from 55.2 to 137.1, or by 148.4 per cent. From 1945 to 1953, the combined index for material prices and wages rose by 94.2 per cent.

Chart D is a graphic representation of the rise since 1939 in the unit costs of labor and materials.

INDEX OF COMBINED WAGE RATES AND CHARGE OUT PRICES
RAILWAYS OF CLASS I

CHART D



NO MAJOR CHANGES IN RATES AND FARES

While there was considerable activity in the field of rates and fares during 1953, the only significant changes in rate and fare levels took place in the area of passenger and allied services. The commission denied the railroads' petition for authority to remove the expiration date in Ex Parte 175 freight rate increases, but did extend that expiration date to December 31, 1955. Changes in basic passenger fares, express rates and mail pay rates during the year were made with the view of reducing the passenger service deficit.

Freight Rates. The most important development in this area during 1953 was the extension until December 31, 1955, of the general increase in freight charges which the Interstate Commerce Commission authorized in its April 11, 1952, decision in Ex Parte 175, *Increased Freight Rates, 1951*. In a petition dated March 27, 1953, the rail carriers asked the commission to remove, without hearing, the time limitation on the temporary increases authorized by the commission's 1952 order and to authorize incorporation of those surcharges into the basic rate structure. The commission refused to act upon the petition without a hearing but did order a shortened procedure whereby testimony and exhibits were filed in the form of verified statements. After brief hearings for purposes of cross examination, oral argument was heard by the full commission and the case was submitted on July 15, 1953.

On July 29, the commission issued, without report, its order prescribing that Ex Parte 175 increases be extended from the original expiration date of February 28, 1954, to December 31, 1955. In ordering this extension of 22 months, the commission declined to authorize integration of the Ex Parte 175 surcharges into the permanent rate structure. On August 12 the commission made public its report (dated August 10, 1953) in support of the July 29 order. Citing uncertainty as to whether 15 years of war prosperity would continue indefinitely, the report stated that it was impossible for the commission accurately to evaluate factors affecting the nation's economy, and consequently the railroads, for long periods ahead. As against this imponderable, however, the commission justified the extension of the increases as

"insurance" against any possible slow-down or break-down in a transportation service which is essential "in periods of national emergency as well as in the more prosaic seasons of peace and tranquility."

Drouth Relief Rates. Due to prolonged drouth which centered originally in the Southwest but which also affected other parts of the country, the Western railroads on July 1, 1953, by Section 22 quotation to the Department of Agriculture, reduced by 50 per cent the rates on feed for live stock and hay from points in Western states to states in the Southwest which had been designated as "drouth areas." These reduced rates applied only on property of the U. S. Department of Agriculture on which the government assumed the freight charges. This Section 22 quotation was cancelled effective November 16, 1953.

Under authority of Drouth Order No. 47 of the Interstate Commerce Commission, effective August 14, 1953, reductions of 50 per cent were established by tariff on commercial shipments of live stock outbound from drouth areas to points in Western states for grazing. Under the same authority, effective on various dates from October 24 to November 7, 1953, the Western, Eastern and Southern railroads established by tariff a reduction of 50 per cent in the rates on commercial shipments of hay from points in Western, Southern and Eastern territories to points in Southern and Western territories which had been designated as drouth areas. These tariffs were scheduled to expire on December 31, 1953.

The aggregate reduction in freight charges amounted to well over $6 million.

Passenger Fares. On April 6, 1953, the Interstate Commerce Commission authorized an increase of approximately 10 per cent in basic passenger fares for a group of railroads serving the Southwest. In its report the commission also found that the increased fares should apply on intrastate passenger traffic in Arkansas, Nebraska, and Texas. The effect of the authorized increases was to bring passenger fares of the Southwestern carriers involved up to the level of those for Southern carriers, but still below those maintained by railroads serving the East. With the exception of increases authorized in *Intermediate Class Fares in Western Territory* (283 I.C.C. 261) which cancelled tourist sleeping car fares in 1951, the proceeding marked the first time in almost five years that any of the Western carriers had proposed an increase in passenger fares.

Family Economy Fares Continued. Encouraged by public response to reduced family round-trip group fares, good for travel in coaches between points more than 100 miles apart, established in June 1952, fifteen Eastern railroads extended for a third time the plan which, when the head of a family pays full one-way fares in both directions, permits the other parent and all children from 12 to 22 years of age to pay only one-half of the one-way fare. The new extension was to December 31, 1953. A similar plan applicable to first-class travel was instituted on September 1, 1953, by the Chicago & North Western and Union Pacific and later by two additional carriers.

Furlough Rates for Servicemen. Reduced rates for military personnel traveling in uniform at their own expense were extended by the railroads during 1953 to March 31, 1954. The action continued the tax-exempt round-trip fares at the rate of 2.025 cents or less per mile, good in coaches, and provided servicemen with savings of up to 1 cent per mile, while including all regular stop-over and baggage privileges.

Commutation Fares. Adjustments in commutation fares were effected during the course of the year for suburban travel in Chicago, in New Orleans, in the New Jersey area adjacent to New York City, and in Philadelphia. The change in rates in the Philadelphia area marked a departure from recent patterns. With a view toward increasing traffic volume, fares were reduced by between 25 and 36 per cent for shoppers going into Philadelphia during non-rush hour periods.

Charges for Checked Baggage. Upon reconsideration of its May 15 decision in I. & S. Docket No. 6015, *Service Charges for Checking Baggage*, the commission on October 5 authorized railroads in the Central, Trunkline, and Southern territories to establish fees of 25 cents for each piece of baggage and 50 cents for each trunk checked for transportation on trains. By year end, some 58 railroads planned to install or had installed these newly authorized charges.

Express Rates Increased

Express Rates. The I.C.C. on July 20, in Ex Parte 185, *Increased Express Rates and Charges, 1953*, authorized the Railway Express Agency to increase its rates and charges an average of about 15 per cent. While the agency had requested an average increase of 23.5 per cent, the increase as authorized was calculated to supplement express revenues by about $55 million annually.

Under authority of the commission's decision in Docket No. 31317, the Railway Express Agency's contract with the railroads was continued to December 31, 1973. The contract superseded was due to expire February 28, 1954.

Mail Pay. Toward the year's end the railroads reached an understanding with the postmaster general whereby mail pay rates would be increased by 10 per cent retroactive to October 1, 1953. This understanding is subject, of course, to approval by the I.C.C. Hearings on the matter were scheduled to begin in Washington on January 6, 1954.

In other matters, the commission in I. & S. Docket No. 6013, on April 24, 1953, approved increased charges for pickup and delivery services on less than carload traffic in Eastern territory.

The railroads in September sought an increase of 31.6 per cent in present charges for line-haul refrigeration services. Hearings on this petition opened in Washington on December 9 and are scheduled to be resumed in Washington in February, 1954.

AVERAGE REVENUE PER UNIT OF TRAFFIC

Revenue per ton-mile averaged 1.479 cents during the first nine months of 1953, while revenue per passenger-mile averaged 2.653 cents for the same period. Table 10 shows the averages for 1921, which were prewar highs, for each year from 1944 to 1952, and for the first nine months of 1953.

Table 10—Revenue per Unit of Traffic

Year	Per ton-mile (cents)	Per passenger-mile (cents)
1953 (9 mos.)	1.479	2.653
1952	1.430	2.664
1951	1.336	2.601
1950	1.329	2.561
1949	1.339	2.452
1948	1.251	2.341
1947	1.076	2.097
1946	0.978	1.947
1945	0.959	1.871
1944	0.949	1.874
1921	1.275	3.086

The ton-mile average for the first three quarters of 1953 reflects the higher freight rates in effect during the first four months of the year, as compared with the same period of 1952, as well as the effect of changes in the consist of traffic and in average hauls.

Average revenue per passenger-mile for the first three quarters of 1953 was fractionally lower than in 1952, averaging 2.653 cents.

CAPITAL EXPENDITURES AND PURCHASES

Table 11 shows gross capital expenditures of railways of Class I for additions and betterments to their properties, and amounts spent for purchases of fuel, material and supplies, years 1944 to 1953. Entries for 1953 are partially estimated.

Capital expenditures for 1953 were approximately $1,251 million. While expenditures for plant improvement have been somewhat larger than this in four postwar years (1948, 1949, 1951, and 1952), the 1953 aggregate was larger than in any year prior to 1948, and marked the sixth successive year in which such expenditures exceeded the $1 billion mark. The total for 1953 was less than the record expenditures made in 1951 by $163 million and less than 1952 expenditures by $82 million.

During the eight postwar years, 1946 to 1953, capital expenditures aggregated $9,076 million, an average of $1,135 million per year. The high level of expenditures since the war is due in part to higher price levels, but also reflects the extensive railroad improvement program. During the postwar period $6,400 million, or better than 70 per cent of such expenditures, have gone for equipment alone.

Of the 1953 expenditures, 68.1 per cent was allocated to equipment and the remaining 31.9 per cent to roadway and structures. This shows the continued emphasis on new equipment, especially diesel-electric locomotives and freight cars.

Purchases of fuel, material and supplies in 1953 are estimated at $1,800 million, approximately equal to the amount expended in 1952. Moderate rises in purchases of rail and other material indicated during the first half of 1953 appear likely to be offset by a continued decline in dollar value of fuel purchases.

Table 11—Capital Expenditures and Purchases

Year	Gross capital expenditures (thousands)	Purchases of fuel, materials and supplies (thousands)
1953*	$1,251,000	$1,800,000
1952	1,333,306	1,817,780
1951	1,413,995	2,173,850
1950	1,066,042	1,739,988
1949	1,312,300	1,441,406
1948	1,273,404	2,183,331
1947	864,609	1,909,209
1946	561,957	1,570,555
1945	562,980	1,572,404
1944	560,112	1,610,529

* Partially estimated

EQUIPMENT SITUATION IMPROVED

Table 12 shows railroad ownership of locomotives and freight cars at the end of each year 1947 to 1953, together with annual installations, and new equipment on order. The entries for 1953 are as of December 1 for ownership and unfilled orders and, in the case of installations, cover the first eleven months of the year.

Table 12—Equipment Ownership and Installations

CLASS I RAILROADS

	Ownership at end of year	Installed during year	On order at end of year
Steam locomotives:			
1953 (Dec. 1)	11,963	*14	1
1952	15,903	19	15
1951	21,200	18	19
1950	25,265	12	16
1949	28,899	57	13
1948	32,613	86	72
1947	34,880	72	30
Diesel and electric locomotives: [a]			
1953 (Dec. 1) [b]	16,988	*1,732	468
1952	15,322	2,396	817
1951	13,017	2,540	1,720
1950	10,531	2,304	1,620
1949	8,169	1,808	885
1948	6,368	1,401	1,561
1947	4,964	773	1,196
Freight-carrying cars [c]			
1953 (Dec. 1)	1,776,741	*64,407	30,703
1952	1,756,700	63,748	67,138
1951	1,751,731	84,218	104,831
1950	1,717,659	39,872	109,174
1949	1,749,736	78,876	12,861
1948	1,754,840	96,204	84,161
1947	1,731,231	57,001	99,216

*11 months.

[a] Complete locomotives as operated. [b] Includes 10 gas turbine electric locomotives owned, 4 installed, and 15 on order. [c] Excludes railroad-controlled private refrigerator car lines.

Locomotives. Substitution of diesel-electric locomotives for steam locomotives continued in 1953. However, there was a marked tapering off in the dieselization

program as retirements of old steam locomotives declined from the record level of 1952 and installations of new diesels continued to recede from the peak reached in 1951.

Although ownership of diesel-electric locomotives has grown steadily since the first locomotive of this type was placed in service 25 or more years ago, the greater part of the shift to diesel power was concentrated in the five-year period ending with 1953. Nearly two-thirds of the diesels now in service have been installed since the end of 1948, and a similar proportion of steam locomotives in service at the close of 1948 has been retired during the same five-year period.

Tapering off in dieselization programs is also disclosed by examination of the backlog of locomotives on order. Only 443 new diesel locomotives (634 units) were on the builders' order books on December 1, 1953, fewer than for any corresponding date since 1945. In addition, 1 steam locomotive, 10 electrics and 15 gas turbine-electrics were on order. New locomotives placed in service during the first eleven months of 1953 totaled 1,746 (1,990 units), including 1,728 diesels (1,972 units), 14 steam and 4 gas turbine locomotives. The number installed was less than in corresponding periods of 1950, 1951 and 1952, but was nevertheless substantial, exceeding that of all other years of the past quarter-century.

Due in part to continuing retirements of large numbers of the older steam locomotives, there was a marked reduction in the percentage of unserviceable locomotives during 1953. This figure declined from 6.6 per cent on January 1 to 4.9 per cent on November 1, the lowest reported since January 1, 1944, when bad order locomotives amounted to 4.8 per cent of ownership. This ratio rose slightly to 5.0 per cent on December 1, 1953.

Car Ownership Gained

Freight Cars. The year 1953 was the third in succession in which freight car ownership of Class I railroads increased. More new freight cars were installed than in 1952, retirements were fewer and the gain in ownership was greater than in the previous year.

Class I railroads installed 64,407 new cars during the first eleven months of 1953, compared with 58,045 during the corresponding months of 1952. Although governmental controls over allocation of steel were removed at mid-year, these restrictive controls affected freight car production throughout the first nine months of 1953.

Freight car ownership on December 1, 1953, totaled 1,776,741, an increase of 20,041 cars since the beginning of the year. The ownership on December 1 was the highest reported for any date since May 1, 1936, exceeding the World War II peak of 1,772,667 cars owned August 1, 1945.

Since the outbreak of the Korean War, Class I railroads have placed in service 240,883 new freight cars and have retired 188,230 old cars. Thus the ownership on December 1, 1953, was greater by 52,653 cars than on July 1, 1950.

The continuing increase in average carrying capacity of freight cars has brought about a greater increase in aggregate freight car capacity than that indicated by the ownership figures alone. Since July 1, 1950, while ownership has increased by 3.1 per cent, average freight car capacity has increased by 2.0 per cent, and aggregate capacity is greater by 5.1 per cent. Similarly, aggregate carrying capacity is now greater by more than 10 per cent than the capacity of a like number of cars owned in 1936.

The percentage of freight cars undergoing or awaiting repairs rose gradually in 1953 from 5.0 per cent on January 1 to 5.2 per cent on December 1. The average for eleven months was 5.1 per cent compared with an average of 5.4 per cent for the year 1952. Cars given heavy repairs during the first eleven months of 1953 totaled 355,516. This was an increase of 21,070 cars, or 6.3 per cent, over the number repaired in the corresponding period of 1952.

Due to the greater freight car ownership, the lower bad order ratio, and a somewhat flattened peak of carloadings in 1953, car supply requirements were met with less difficulty than in any other postwar year. The maximum daily freight car shortage was 5,459 for the week ended June 27. Maximum shortage during the autumn period of peak carloadings was 5,393 for the week ended October 3, compared with the 1952 maximum of 18,558 for the week ended September 27. The average daily shortage for 50 weeks of 1953 was 2,409 compared with 4,841 cars for the year 1952.

Passenger Equipment. Railroad ownership of passenger train cars of steel or steel underframe construction numbered 35,270 on July 1, 1953. This was a reduction of 556 from the beginning of the year. An additional 6,227 cars were operated by the Pullman Company, 114 less than on January 1. There were 112 new passenger train cars placed in service during the first half of the year and 566 new units remained on order on July 1. This order backlog was greater by 146 than on January 1, 1953, and 414 greater than at the beginning of 1952.

MOTIVE POWER TRENDS REFLECT DIESELIZATION

Diesel-electric locomotives in 1953 continued to assume an increasing share of the motive power burden, as additional thousands of the older and less efficient steam locomotives were relegated to retirement or standby service.

Table 13 shows the percentage of total service performed by steam, diesel-electric and other types of locomotives in freight, passenger and yard services in 1944, in the years 1948 to 1952, and in the first ten months of 1953.

Diesel-electric locomotives hauled 73.9 per cent of all gross ton-miles of freight cars and contents in the first ten months of 1953, moved 78.9 per cent of the passenger train car-miles and accounted for 82.6 per cent of the total hours of service of yard locomotives. In each case the diesel proportion showed a substantial increase over corresponding figures for 1952, but the increases in 1953 over 1952 were smaller than the gains made in 1952 over 1951.

Decreases in the steam locomotive proportions of service performed in 1953 compared with 1952 were approximately equal to the diesel increases. There was little change in the share accounted for by electric and other types of locomotives as a group, although a separation

Table 13—Locomotive Utilization

PERCENTAGE OF FREIGHT, PASSENGER AND YARD SERVICES PERFORMED BY TYPE OF POWER

Year	Steam locomotives	Diesel electric	Electric and other
Freight Service (Gross Ton-miles, Cars and Contents)			
1953 (10 mos.)	24.15%	73.91%	1.94%
1952	32.61	65.52	1.87
1951	45.51	52.65	1.84
1950	53.91	44.13	1.96
1949	63.05	34.89	2.06
1948	76.70	21.27	2.03
1944	94.56	3.59	1.85
Passenger Service (Passenger-train Car-miles)			
1953 (10 mos.)	14.63%	78.90%	6.47%
1952	21.88	71.50	6.62
1951	30.89	62.73	6.38
1950	36.31	57.30	6.39
1949	44.25	49.29	6.46
1948	53.92	39.55	6.53
1944	85.87	8.00	6.13
Yard Service (Locomotive-hours)			
1953 (10 mos.)	16.29%	82.55%	1.16%
1952	22.01	76.72	1.27
1951	30.97	67.79	1.24
1950	38.20	60.45	1.35
1949	47.83	50.77	1.40
1948	61.75	36.95	1.30
1944	77.31	21.32	1.37

of this group as between electric locomotives and others reveals the growing importance of the gas turbine locomotive in road freight service. "Other locomotives," the class in which gas turbines are included, hauled 0.19 per cent of freight service gross ton-miles in the first ten months of 1953, compared with 0.10 per cent in the year 1952 and only 0.01 per cent in 1951.

Chart E portrays graphically the dramatic rise of the diesel in the motive power picture since 1940.

FURTHER PROGRESS IN EFFICIENCY AND ECONOMY

The next four tables compare significant performance averages for the first ten months of 1953 with annual averages for the years 1944 to 1952.

While traffic volumes in 1953 declined somewhat under 1952 levels, and were considerably less than volumes handled in the war years, most operating averages moved upward to new records, indicating continued progress in operating efficiency.

A most significant performance average is ton-miles per freight train-hour, which combines both load and speed factors. The unit output per hour of freight train operation is computed on two bases: (1) gross ton-miles of cars and contents per freight train-hour, and (2) net ton-miles (lading only) per freight train-hour. Both averages are shown in Table 14. Averages for the first ten months of 1953 indicate that new records for both factors will be set for the year. It will mark the seventh consecutive year in which both averages set a new record.

Table 14—Ton-miles per Freight Train-hour

1944-1953

Year	Gross ton-miles	Net ton-miles
1953 (10 mos.)	51,766	23,574
1952	49,118	22,567
1951	46,487	21,780
1950	44,352	20,343
1949	42,346	19,824
1948	39,983	18,778
1947	38,462	18,126
1946	37,057	17,173
1945	36,954	17,482
1944	37,398	17,623

PROPORTION OF PERFORMANCE RENDERED BY DIESEL POWER — CHART E

RAILWAYS OF CLASS I 1940-1953

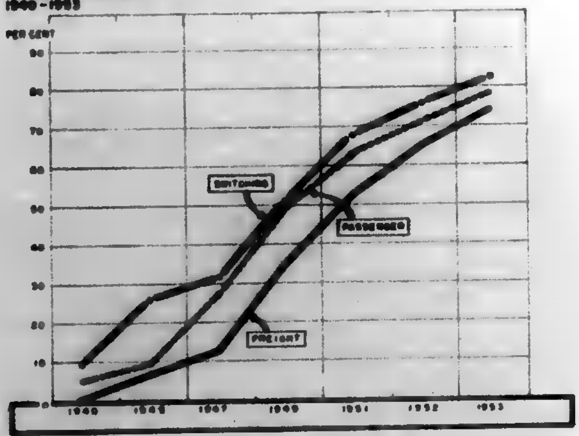


Table 15—Daily Mileage, Locomotives and Cars

Year	Active freight locomotives	Active passenger locomotives	Serviceable freight cars
1953 (10 mos.)	133.1	287.2	47.0
1952	126.8	266.1	46.2
1951	122.5	247.6	47.2
1950	119.3	237.2	46.5
1949	112.5	228.5	42.9
1948	116.8	220.9	47.2
1947	120.3	219.0	48.8
1946	115.9	221.8	45.2
1945	118.4	226.9	49.3
1944	122.8	222.9	51.9

Table 15 shows daily mileage averages for locomotives and freight cars for the calendar years 1944 to 1952. and the first ten months of 1953. New records in this category were established by both freight and passenger locomotives. Active freight locomotives in 1953 averaged 133.1 miles per day, 6.3 miles more than the record set in 1952, and 8.6 miles more than the average for the previous record year, 1943. Active passenger locomotives averaged 287.2 miles per day, an increase of 21.1 miles over 1952, also setting a new record. The great strides made in both these averages in recent years is a direct tribute to the diesel-electric locomotive and its high percentage of availability.

Serviceable freight cars averaged 47.0 miles per day during the first ten months of 1953, slightly above the average for 1952. The record of 51.9 miles was established in the war year 1944.

Table 16—Average Train Speed (m.p.h.)

Year	Freight trains	Passenger trains
1953 (10 mos.)	18.1	39.0
1952	17.6	38.3
1951	17.0	37.7
1950	16.8	37.4
1949	16.9	37.0
1948	16.2	36.7
1947	16.0	36.1
1946	16.0	35.5
1945	15.7	34.7
1944	15.7	34.8

Train speeds, which declined during the war years when traffic conditions increased the elapsed time of trains between terminals, have since more than regained prewar levels. Averages for the years 1944 to 1952 and the first ten months of 1953 are shown in Table 16.

Average freight train speed during 1953 increased five-tenths of a mile over 1952 in setting a new record of 18.1 miles per hour. Passenger train speed was seven-tenths of a mile above 1952, also setting a new record of 39.0 miles per hour.

Table 17 shows average load per train and per car in both freight and passenger services. In freight service, average load per train increased slightly in 1953, while average load per car was somewhat less than in 1952. In passenger service, both train and car occupancy declined. This decline reflected the general reduction in passenger traffic handled during the year.

Table 17—Average Train and Car Loads

Year	Freight Service: Net tons per train	Freight Service: Net tons per car	Passenger Service: Passengers per train	Passenger Service: Passengers per car
1953 (10 mos.)	1,315	32.2	*96.3	*17.8
1952	1,296	32.5	98.5	18.1
1951	1,301	33.0	97.2	18.1
1950	1,224	31.7	88.5	17.0
1949	1,138	31.4	92.3	18.1
1948	1,176	32.9	101.1	19.4
1947	1,146	32.6	110.7	21.0
1946	1,086	31.3	144.3	24.5
1945	1,129	32.2	190.5	30.2
1944	1,139	32.7	200.7	31.9

*9 months

SAFETY RECORD FAVORABLE

ailroad safety in 1953 was maintained at a high level, although results fell short of the overall excellency attained in 1952.

In the field of passenger transport, the record for the first ten months of 1953 was not so good as it was a year earlier. During this 1953 period, 20 passengers lost their lives in train accidents (collisions, derailments, etc.), compared with no passenger fatalities in this category during the like period of the preceding year. In fact, the year 1952 stands alone in the annals of rail safety in that not a single passenger lost his life in a train accident during the entire year. There were 19 passenger fatalities in train-service accidents during the ten-month period of 1953, compared with 11 fatalities during the like period of 1952. Train-service accidents arise largely from negligence or carelessness on the part of passengers themselves, such as attempting to get on and off moving trains. A casualty rate of 0.15 per hundred million passenger-miles for all passenger fatalities during the first ten months of 1953 compares favorably with some of the better safety records in the past.

Employee fatalities during the first ten months of 1953 were the lowest on record for any comparable period. There were 253 employee deaths for this period compared with 301 for the like period one year ago. If this pace was maintained for the balance of the year, a new employee safety record will have been established, bettering the record of 0.12 fatalities per million man-hours worked, established in 1952. Non-fatal injuries to employees are also below the number recorded last year, and should be fewer in number for the year as a whole than at any time excepting a few of the light traffic years in the thirties.

Highway grade crossing accidents which have trended downward in recent years took an upward turn in 1953. During the first ten months of the year, fatalities in such accidents increased by 10 per cent while non-fatal injuries were greater by approximately one per cent.

On the whole, the safety record established by the railroads during the first ten months of 1953 was a gratifying one, and the railroads are rightfully proud of their accomplishments in the field of safety over the years.

OTHER DEVELOPMENTS IN THE INDUSTRY

ncreased Refrigerator Car Rentals. Effective April 1, the mileage allowance paid by railroads for use of general purpose freight refrigerator cars was increased from 3.5 cents to 4 cents and the allowance for RB type cars from 3.2 cents to 3.5 cents. Effective August 1, the mileage allowance for passenger service express refrigerator cars was increased from 3.5 cents to 4.75 cents.

A.A.R. Research Facilities Expanded. Construction of a new Mechanical Research Laboratory by the Association of American Railroads was started in January and completed on October 1, 1953. Supplementing the Central Research Laboratory which was completed in March 1950, the new facilities will add to the efficiency and effectiveness of the research work carried out by the association. Major additions during the year to the testing equipment available at these installations were the installation of a Sonntag Fatigue Testing Machine and a revolving drum testing machine for use in container research.

Pan American Railway Congress. The VIII Pan

American Railway Congress, under the joint auspices of the State Department of the United States and the Pan American Railway Congress Association (whose headquarters are in Buenos Aires) was held at Washington, D. C., and Atlantic City, N. J., June 12-25, 1953. This was the first congress ever held in any English-speaking country by the P.A.R.C.A., which has for its purpose the advancement of railway technology and efficiency in the Western hemisphere. The United States officially became a member of the organization by act of Congress in 1948. Registration at the VIII Congress was 297, with distinguished visitors and members of families of registrants bringing total attendance to 457 persons, from 24 countries of the Western hemisphere, Europe and Asia.

The congress met in Washington June 12-20, where it considered and acted upon 168 technical papers from sixteen countries. It was then moved, on June 21, by special train to Atlantic City, where its members had opportunity to inspect a $20,000,000 exhibit of railway equipment and appliances assembled by the Railway Supply Manufacturers Association for the congress and concurrent meetings of the A.A.R. and the American Short Line Railroad Association. The closing event was a luncheon at Atlantic City June 25, with attendance of 500, at which cash prizes were awarded for papers selected by an International Prize Award Jury. Such prizes from U. S. sources, principally members of the railway supply industry, totaled $13,000.

President William T. Faricy of the A.A.R. was chairman of the U. S. National Commission in the P.A.R.C.A., host body for the congress, and also chairman of the U. S. Delegation to the congress. James G. Lyne, editor of *Railway Age*, was chairman, and L. J. Kiernan, of the A.A.R., was secretary general of the congress.

RAILROAD RETIREMENT BOARD OPERATIONS

Railroad Retirement. The number of beneficiaries on the retirement rolls of the Railroad Retirement Board, as well as the benefit disbursements to such beneficiaries, rose to new high levels in 1953. Beneficiaries numbered 540,079 as of October 31, 1953, compared with 510,330 on the same date in 1952, an increase of 29,749. The 1953 total comprised 278,758 retirement annuitants, 4,460 pensioners (persons transferred from the voluntary rolls of the railroads in 1937), 93,582 spouse annuitants and 163,279 recipients of survivor annuities.

The increase in number of beneficiaries in 1953 was accounted for by a net increase of 15,231 in retirement annuities, a decrease of 944 in pensioners, and respective net increases of 7,973 and 7,489 in spouse and survivor annuities.

Total retirement benefit payments in the month of October 1953 aggregated $39,790,156, compared with $37,170,899 in October 1952. Thus the annual level of disbursements rose during 1953 from $446,051,000 to $477,482,000, an increase of 7.0 per cent.

Retirement tax accruals in 1953 decreased slightly below 1952, reflecting a decline in the average number of employees. For the 10 months ended October 31, 1953, payroll tax accruals by Class I railways amounted to $223,909,000, compared with $225,026,000 for the corresponding period of 1952. Similar amounts were paid by railroad employees. The payroll tax rate of 6¼ per cent each on railroads and their employees (12½ per cent in all) which became effective January 1, 1952, is the maximum under present law.

The following summarizes the financial operations of the railroad retirement system from its inauguration in 1937 to October 31, 1953:

Receipts:		
From U.S. Treasury	$6,173,377,459	
Interest on investments	477,846,544	
Total		$6,653,224,003
Disbursements:		
Benefit payments	$3,433,335,243	
Transferred to administration fund (net)	24,197,469	
Total		$3,457,532,712
Balance as of October 31, 1953		$3,195,691,291

Administrative expenses for the entire period of operation to October 31, 1953, amounted to $65,327,705. The amount of $24,197,469 shown in the foregoing table as transferred to the administration account covers the period since July 1949. Prior to that date, amounts appropriated for administrative expenses were credited to a separate account and expenses were charged directly to that account.

The Railroad Retirement Board early in 1953 issued a report on the fifth valuation of the liabilities and assets of the railroad retirement system as of December 31, 1950. These valuations are prepared at three-year intervals, and are reviewed by an independent Actuarial Advisory Committee, in accordance with provisions of the Railroad Retirement Act. The valuations are made to determine the combined tax rate on railroads and their employees which, together with interest on investment, will be sufficient to meet all obligations of the retirement system for the future.

The valuation found that a total level tax rate on employees and employers of 13.41 per cent on an average annual payroll of $5 billion would be required to provide sufficient funds to pay all future benefits. This cost is approximately 0.9 percentage point above the present tax rate.

Railroad Unemployment Compensation. Railroad unemployment compensation benefits in 1953 were slightly greater than in 1952 despite the fact that the year 1953 was virtually unaffected by industrial work stoppages such as the prolonged labor dispute in the steel industry which occurred in 1952. This reflected the generally lower level of railway employment during 1953. Benefit disbursements for the ten months ended October 31, 1953, amounted to $35,912,729, compared with $34,793,777 for the corresponding period of 1952.

Sickness and Maternity. Benefit disbursements for sickness and maternity in 1953 increased substantially above the levels of 1952. Sickness benefits for the ten months ended October 31, 1953, aggregated $34,014,623, compared with $24,413,318 for the corresponding period of 1952, an increase of $9,601,305 or 39.3 per cent. Maternity benefits amounted to $2,568,013 and $1,913,798 for the same respective periods.

Unemployment Taxes and Finance. Unemployment tax accruals by Class I railways for the ten months ended October 31, 1953, amounted to $17,919,000. For the same 1952 period, the amount was $18,009,000.

Under the sliding scale of payroll taxes provided by the Railroad Unemployment Insurance Act, the tax rate for ensuing years will remain at 0.5 per cent so long as the amount in the railroad unemployment insurance reserve amounts to $450,000,000 or more on September 30 of the preceding calendar year. The officially proclaimed balance as of September 30, 1953, was $684,880,547, thus assuring a continuation of the 0.5 per cent rate through 1954. This compares with a balance of $736,753,152 as of September 30, 1952.

The financial results of operation of the railroad unemployment insurance system for the entire period of operation from July 1, 1939, to October 31, 1953, are shown in the following summary:

Receipts:		
Taxes (incl. transfers from states)	$1,193,382,016	
Interest on unemployment reserve fund	172,400,169	
Total receipts		$1,365,782,185
Disbursements:		
Benefit disbursements (net)		
Unemployment	$ 415,559,892	
Sickness (excl. maternity)	184,170,922	
Sickness (maternity)	13,811,364	
Administrative expenses	66,125,643	
Total disbursements		$ 679,667,821
Balance:		
To credit of unemployment reserve	$ 679,337,517	
To credit of administration fund	6,776,847	
Total balance, October 31, 1953		$ 686,114,364

Board Members Appointed. The Senate on July 31 confirmed the appointment of Raymond J. Kelly as chairman of the Railroad Retirement Board to succeed the former chairman, William J. Kennedy, who resigned effective August 31, 1953. Frank C. Squire, whose second term as carrier member of the board expired August 28, was given a recess appointment to another five-year term by President Eisenhower. Senate action on this appointment will be taken during the present session.

LITIGATION AND ADMINISTRATIVE PROCEEDINGS

Of great interest was the elevation to the position of Chief Justice of the United States on October 5 of Earl Warren, formerly governor of California, following the death of the late Chief Justice Fred M. Vinson.

Additionally, there were important changes during 1953 in the personnel of the Interstate Commerce Commission. Owen Clarke of Yakima, Wash., succeeded Commissioner William J. Patterson, retired; Howard G. Freas, of Oakland, Cal., succeeded Commissioner William E. Lee, retired; and Kenneth H. Tuggle, of Barbourville, Ky., succeeded Commissioner Walter M. W. Splawn, retired. George W. Laird, formerly acting secretary of the commission, was advanced to the position of secretary, succeeding W. P. Bartel, who had retired August 31, 1952. E. F. Hamm, Jr., was appointed to the newly created post of managing director of the commission. In this capacity, Mr. Hamm assumed responsibility for supervision of the administrative machinery of the commission and for effecting organizational changes looking to simplification, expedition and economy.

Seatrain Antitrust Case. (*Seatrain Lines vs. Pennsylvania Railroad*). By complaint filed December 10, 1951, amended December 21, 1951, Seatrain Lines, Inc., instituted an antitrust proceeding in the U. S. District Court for the District of New Jersey against the Pennsylvania, Atlantic Coast Line, Louisville & Nashville, and Southern, as "primary defendants," and a number of other defendants, including additional railroad companies and the A.A.R., as "secondary defendants." In this litigation the plaintiff sought injunctive relief against all defendants with respect to an alleged conspiracy to boycott Seatrain, and judgment for treble damages in the amount of $164,163,000 was sought against the four primary defendants. From an order of the district court dismissing the case, appeal was taken to the Court of Appeals for the Third Circuit. The appellate court sustained the lower court in dismissing the case with respect to the principal allegation of wrongful exclusion of Seatrain from unrestrained access to the national freight car supply. However, the appellate court vacated the order of dismissal and remanded the proceedings to the district court with leave to Seatrain to file an amended complaint confined to charges of conspiracy to induce individual railroads which do not participate in through routes with Seatrain to withhold consent to the interchange of their cars, to discourage shippers from utilizing Seatrain's service, and the like. As of mid-December, no amended complaint had been filed.

Per Diem Changes

Coupler Manufacturers' Case. (*U. S. vs. National Malleable & Steel Castings Co., et al.*) On May 22, 1953, the federal grand jury in Cleveland returned an indictment charging that six corporations and certain of their officers engaged in the manufacture of railroad couplers had conspired to restrain trade and commerce and to monopolize the trade in such couplers. No railroads or railroad associations were named as parties to this criminal proceeding, but the A.A.R. was named as a party defendant in a companion civil suit in the U. S. District Court for the Northern District of Ohio, wherein an injunction was sought to restore allegedly absent conditions of free competition in the coupler industry. It was understood that the government would proceed first with the criminal case and that the civil proceeding would be held in abeyance in the meantime.

Per Diem Rate. In accordance with procedures provided for in an agreement approved by the I.C.C. under Section 5a of the Interstate Commerce Act (the Reed-Bulwinkle Act), the per diem rate for the use of foreign line freight cars which had been changed from $1.75 per car per day to $2.00 effective May 1, 1952, was changed from $2.00 to $2.40 per car per day effective August 1, 1953.

Following submission of the latest change in rate to vote by letter ballot of subscribers to the agreement, three Class I railroads (Boston & Maine; New York, New Haven & Hartford; and Rutland) served notice of withdrawal from the Section 5a agreement insofar as it pertains to per diem. Subsequently, these three companies, together with the Long Island and seven smaller lines, also served notice declining settlement of per diem accounts at the rate of $2.40. In lieu of settlement at the established rate, the railroads serving such notices have offered settlement on the basis of the $2.00 rate, or in

some instances on a graduated basis of rates depending upon the age of cars. The New York, Susquehanna & Western (a non-subscriber to the Section 5a agreement) had served a like notice on March 16, 1951, with respect to the then effective per diem rate of $1.75, and since April 1, 1951, has offered settlement at less than the established rate.

On September 21, 24 railroads filed with the I.C.C. a complaint against railroads declining to make per diem settlements at the rate established under Section 5a procedures, asking that the per diem rate in effect at various periods, including the current rate of $2.40, be declared reasonable and lawful, and that the commission find that uniform observance by all railroads is required in the interest of orderly rail transportation service. A prehearing conference was held with the commission on October 22. Hearings are presently set for January 18, 1954 (under Docket No. 31358), with written evidence to be submitted January 11.

Other proceedings involving the per diem rate included a suit filed on March 4, 1953, by the New York Central and others in the U. S. District Court for the District of New Jersey against the New York, Susquehanna & Western for per diem rental on what is understood to be a *quantum meruit* basis and a suit filed June 12, 1953, by the Chicago, Burlington & Quincy and others in the same court against the Susquehanna to recover per diem charges on the basis of the established rate. In the last named suit the defendant on August 10, 1953, filed an answer and counterclaim alleging antitrust violation in the establishment of the rate as concerns non-subscribers to the Section 5a agreement and seeking judgment against the plaintiffs for $3,900,000 treble damages.

Trip-Leasing Regulation

Motor Carrier Trip-Leasing. In a proceeding known as Ex Parte No. MC-43, *Lease and Interchange of Vehicles by Motor Carriers*, 52 MCC 675, the I.C.C. had proposed to establish and enforce rules which would prohibit single-trip leases of trucks with drivers to certificated carriers, by requiring that all leases be in writing and for a period of not less than 30 days, and would prohibit compensation as between the lessor and the lessee of the truck on the basis of a division of the revenue. The commission's authority to issue and enforce the proposed rules was challenged in court and finally upheld by a decision of the Supreme Court of the United States rendered January 12, 1953, in *American Trucking Associations* vs. *U. S.*, 344 U. S. 298. On February 18, 1953, there was introduced in Congress H. R. 3203, a bill which would deprive the commission of authority to place any limitation upon the duration of truck leases or to regulate the amount of compensation as between lessor and lessee. By reason of the consideration of this proposed legislation by Congress, the commission, on July 31, deferred the effective date of its proposed rules until March 1, 1954.

On November 30, 1953, the commission issued three additional orders in Ex Parte MC-43. One of these orders postponed until March 1, 1955, the effective date of the proposed requirement that leases be of a duration not less than 30 days and the prohibition of compensation on the basis of a division of revenue. Another of the orders entered November 30 provided for permanent exemption from these requirements of return movements of trucks following movements exempted from regulation under any of the several agricultural exemptions contained in the Interstate Commerce Act. The third order of November 30 reopened Ex Parte MC-43 for further hearing, at a time and place or places to be hereafter fixed, for reconsideration of the 30-day rule and the prohibition of compensation on the basis of a division of revenue as applied to movements unrelated to agricultural movements.

The status of the proposed legislation embodied in H. R. 3203 is discussed elsewhere in this review.

BRIEF SURVEY OF OTHER DEVELOPMENTS

Government Reparation Cases. In a proposed report made public July 23 in Docket No. 29572 and related cases, I.C.C. Examiners Howard Hosmer and Marion L. Boat recommended that the commission dismiss 17 compaints involving claims by the federal government for reparation aggregating approximately two billion dollars alleged to be due by reason of the exaction of unreasonable rates during World War II. The examiners' proposed report finds that the rates charged were not unjust and unreasonable. The Department of Justice has been allowed until March 20, 1954, to file exceptions to the proposed report and the railroads have until July 20, 1954, to file their reply.

Interterritorial Divisions. By report and orders in Dockets Nos. 29799, 29885, and 29886, the commission prescribed, after more than five years of investigation, new bases of interterritorial divisions of joint rates between Official and Southern territories and between Official and Southwestern territories. The new divisions, superseding those which had been in effect since 1940, became effective July 15, 1953.

Parcel Post Rates. In proceedings docketed as No. 31074, the commission approved in a report made public June 17 the amended proposals of the postmaster general to increase zone rates on 4th class parcel post by approximately 36 per cent. This permitted the increases to be placed into effect by the Post Office Department on August 1 for international shipments and on October 1 for domestic shipments. By subsequent order dated November 16, the commission also gave its consent to a proposed 16.6 per cent increase in rates on catalogs and similar printed advertising matter and controlled circulation publications. The two decisions combined were estimated to produce approximately $154,600,000 annually in additional revenues to the Post Office Department. The last increase previously granted in parcel post rates was the 25 per cent increase authorized by the commission's decision of October 1, 1951.

Section 5a Developments. In a report dated January 21, 1953, the commission approved application No. 26, *Railroad Interterritorial Agreement.* This agreement, ordered to become effective March 4, 1953, was supported by 325 railroads, water and motor carriers, as well as shipping interests which desired a central com-

mittee where interterritorial tariffs and related matters could be integrated. Citing the need for coordination between actions taken by previously authorized territorial organizations, the commission found that the agreement was within the scope of Section 5a whereby common carriers are relieved of the operations of the antitrust laws for joint action on rates and related matters in accordance with agreements approved by the commission.

In addition to the above agreement, the only one directly involving railroads, the commission considered one application affecting water carriers and thirty applications concerning motor carriers. Of the thirty motor carrier applications, four were denied or dismissed, seven were approved finally and the remainder continued under advisement.

State Vehicle Taxes. In *Bode vs. Barrett*, 344 U. S. 583, decided February 9, 1953, the Supreme Court of the United States upheld the constitutionality of an Illinois statute imposing a highway use tax measured exclusively by the gross weight of each vehicle using the highways. The statute was challenged by truckers.

Assessment for Grade Separation Improvements. In *Atchison, Topeka & Santa Fe vs. Public Utilities Commission of California*, decided November 9, 1953, the Supreme Court of the United States upheld the action of the Public Utilities Commission of California in allocating the costs of two grade separation projects as between two railroads and the local governments involved. The railroads were required to pay 50 per cent of the costs. The court held that there was no requirement that the railroads' share of the costs should be based on benefits received by them, and that the state commission's action had not been so arbitrary and unreasonable as to violate the Constitution.

Non-Compensatory Freight Rates. In *Baltimore & Ohio vs. U. S.*, 345 U. S. 146, decided March 16, 1953, the Supreme Court of the United States upheld an I.C.C. order fixing maximum rail rates for the transportation of certain commodities. The railroads attacked the rates as confiscatory and unconstitutional because they would produce less money than it would cost the railroads to carry the particular commodities. The court held that the commission may fix non-compensatory rates for some commodities, so long as rates as a whole afford railroads just compensation for their overall services to the public.

LEGISLATION AFFECTING THE RAILROADS

While little legislation of primary interest to the railroads was enacted during the first session of the 83d Congress, a number of measures received active consideration and will be further considered during the second session. Of first importance to the railroad industry among such measures is the so-called "Time-Lag" bill.

The "Time-Lag" Bill, S. 1461, was sponsored by a bipartisan group composed of Senators Johnson (Dem., Colo.), Bricker (Rep., Ohio), and Capehart (Rep., Ind.). The purpose of the bill is to enable railroads and other common carriers to obtain increased rate authorizations within sufficient time to keep more nearly in step with increasing operating costs. The method of accomplishing this, as employed by S.1461, lies in a proposed new section to be added following Section 15a of the Interstate Commerce Act.

The proposed new section provides that within 60 days after filing of a petition by the carriers seeking a general increase in rates by reason of increased operating costs, the I.C.C. shall enter an interim order authorizing rate increases which in its opinion are appropriate or necessary to permit the carriers, under honest, efficient and economical management, to earn adequate revenues. After such interim rate increases have been made effective, the commission will proceed with its investigation of the increases proposed by the carriers until it has reached a final decision. If the increases authorized by the commission in its final decision are less than those authorized in its interim order, the carriers shall, on demand, make refunds down to the basis of the finally authorized rates on all shipments which moved at the higher interim rates.

The need for such legislation grew out of the spiraling inflation following World War II. Under the Interstate Commerce Act as it is now in effect, general adjustments of carrier rates to meet rising operating costs are possible only after extensive and time-consuming proceedings. During the postwar period, an average of 9½ months elapsed from the time initial rate proceedings were instituted to the date final authorizations for increased rates were granted. As past experience has shown, a second round of cost increases may be under way, or even in effect, by the time a given general rate increase can be authorized to meet the original round of increased costs. Thus, it is easily understood why losses in revenue to railroads—even with the present type of interim decision granted by the commission—exceeded $1,000,000,000 during the years 1946-1953 as a direct result of procedural delay.

Hearings on "Time-Lag"

During extensive congressional hearings in 1952, a great deal of attention was given this problem. S.1461 is substantially similar to a proposal supported by the National Industrial Traffic League in the 82d Congress and differs materially only in that the period within which the commission is required to enter its interim order was extended from 30 to 60 days. In the 83d Congress, hearings were held May 5-7, 1953, on S.1461, which with certain minor amendments was favorably reported by the Senate Committee on Interstate and Foreign Commerce. However, it received no consideration on the Senate floor prior to adjournment.

In the House of Representatives, a bill designed to accomplish the same result as S.1461, but differing from the Senate version in certain important respects, was introduced by Representative Dolliver on May 7, 1953, as H.R.5052. A later bill, H.R.6395, also introduced by Representative Dolliver, on July 20, follows verbatim the text of S.1461 as reported by the Senate Committee, with the addition of an amendment subsequently proposed to be made to the Senate bill by its original authors. Both H.R.5052 and H.R.6395 were referred to the House Committee on Interstate and Foreign Commerce, where at the year end, hearings had yet to be scheduled.

Wartime Excise Tax Repeal. Although the 15 per cent

passenger and 3 per cent freight wartime federal excise taxes on amounts paid for transportation are imposed upon the users of public transportation services and are not paid by the carriers themselves, the railroads and other transportation agencies have a vital interest in their repeal or reduction by reason of the inducement they offer for the use of private carriage, which is not subject to the taxes. Following the introduction of numerous bills dealing with the subject of excise taxes in general, the House Ways and Means Committee held extensive hearings during June, July and August. While no proposal for the reduction or elimination of the transportation excise tax progressed beyond referral to committee, the President's Memorandum of Disapproval of H.R.157, a bill passed by Congress which would have repealed the excise tax on moving picture theater admissions, indicated that specific proposals for removing inequities and discriminations in the imposition of excise taxes would be a part of the administration's recommendation to Congress to be submitted in January 1954.

Court Rules on Trip Leasing

Motor Carrier Trip Leasing. Following the decision of the Supreme Court of the United States on January 12, 1953 (see above), upholding the authority of the I.C.C. to regulate the duration of truck leases and the basis of compensation as between lessor and lessee, there was introduced into Congress H.R.3203, the effect of which would be to deprive the commission of authority to regulate truck operations in the respects referred to.

The bill was the subject of extended hearings before the House Committee on Interstate and Foreign Commerce. The principal proponents of the bill were the various farm and agricultural interests, including the National Grange, the National Council of Farmer Cooperatives, the National Farmers Union, and the American Farm Bureau Federation. Principal opponents of the measure included the I.C.C., the Teamsters union, railway labor, and the railroads. The trucking industry was divided on the question, a number of regulated carriers being opposed to the measure.

The "Safety" Bills

As a result of these hearings, the bill was favorably reported with minor modifications and passed by the House of Representatives on June 24. On the Senate side, the companion bill S.925 was referred to the Senate Committee on Interstate and Foreign Commerce and in turn referred to a subcommittee composed of Senators Griswold (chairman), Bricker, and Johnson of Colorado. The Senate subcommittee held hearings on the bill but had taken no action up to the time of the adjournment of the first session. What effect, if any, the action of the commission in the issuance of its orders of November 30, 1953, hereinbefore referred to, will have upon the course of this legislation remains to be seen.

Proposed "Safety" Bills. In April the Senate Committee on Interstate and Foreign Commerce held hearings on two "safety" bills. One of these was S.1401, commonly spoken of as the "Brake Bill." This bill would confer upon the I.C.C. authority to prescribe the specifications for power or train brakes and the rules, standards and instructions for the installation, inspection, maintenance and repair of such brakes. It was opposed by the railroads as wholly unnecessary and as representing an unwarranted intrusion into the field of private operational management. The Senate committee on July 7, 1953, announced that it would take no action with respect to S.1401 during the course of the first session of Congress.

The second so-called "safety" bill is S.539, commonly referred to as the "Communications and Operating-Rules Bill." In the form introduced, S.539 would have amended Section 25 of the Interstate Commerce Act so as to confer upon the commission, in addition to its present authority with respect to signaling systems, authority to require installation of "telegraph, telephone, radio, inductive, and other wayside and/or train-communication systems." Additionally, the bill as introduced would have conferred upon the commission authority with respect to rules for the operation of trains.

This last provision was vigorously opposed by the railroads as preempting an essential function of private management in a field where divided responsibility would have serious harmful effects upon the safety and efficiency of railroad operation. Before reporting the bill, the Senate committee amended it so as to eliminate the operating-rules feature. The railroads also opposed the extension of the commission's authority under Section 25 of the act to include radio, telephone and telegraph communications systems. The bill in the form reported by the Senate committee omits any express reference to telephone and telegraph communication systems but would extend the authority of the commission to include "radio and other electronic devices." The amended bill was passed by the Senate on July 14, 1953, and referred to the House Committee on Interstate and Foreign Commerce. No action was taken by that committee prior to the adjournment of the first session.

THE ST. LAWRENCE WATERWAY PROJECT

This project has been before Congress almost continuously for the past 20 years and the year 1953 proved no exception. Six Senate and nine House bills calling for approval of the St. Lawrence Project in one form or another were introduced in the first session of the 83d Congress.

During the past 20 years, a number of different approaches have been employed by proponents of the project. Since the project is international in character, it was first presented in the form of a treaty. Failing to obtain approval of the treaty, an executive agreement calling for construction of the combined power and navigation project by Canada and the United States jointly was negotiated in 1941. From that time on through the year 1952, practically all of the measures introduced in Congress sought approval of the executive agreement.

Following the defeat of one such measure on June 18, 1952, proponents adopted a new approach. Canada advised the United States that if approval were obtained for joint construction of the power project by separate entities in their respective countries, Canada would

undertake by itself to construct a 27-foot waterway through the St. Lawrence river. The United States agreed to this procedure and joined with Canada in an application to the International Joint Commission for approval of such a plan. Conforming to this plan, the New York Power Authority renewed its efforts under a pending application before the Federal Power Commission to obtain a license authorizing it to construct the U. S. share of the power project. On October 29, 1952, the International Joint Commission approved the Joint United States-Canadian application and shortly thereafter Canada renounced the executive agreement of 1941.

The proceeding before the Federal Power Commission was progressed and on July 10, 1953, the New York Power Authority was granted a license to construct the power facilities on the U. S. side of the International Rapids section. Petitions for reconsideration were denied by the Federal Power Commission on September 4, 1953, whereupon three parties to the proceeding sought review of the F.P.C. order in the United States Court of Appeals for the District of Columbia. Meanwhile, President Eisenhower on November 5 in an Executive Order designated the New York Power Authority as the United States entity to construct the power project. In the event the order of the Federal Power Commission is not upset in court, the New York Power Authority and an agency of the Province of Ontario will be authorized to proceed with construction of the power project and Canada will be authorized and obligated to construct a 27-foot waterway through the St. Lawrence river.

Why Duplicate Facilities

In view of this situation, there appeared to be no occasion for congressional action with respect to the waterway, but numerous advocates of the waterway in the United States are apparently unwilling to have Canada build the waterway alone and are seeking U. S. participation in the construction of the waterway project. The only point where the United States can participate in construction of the navigation works in the St. Lawrence river is in the International Rapids section. Accordingly, several bills were introduced which would authorize the United States to construct the canals and other works in the International Rapids section on the U. S. side of the boundary.

The two principal bills providing for the performance of this work were S.589 and H.J.Res.104, introduced respectively by the chairmen of the Senate Foreign Relations Committee and the House Public Works Committee. These proposals provided for the creation of a St. Lawrence Waterway Development Corporation to supervise construction and operation of the navigation facilities in the International Rapids section. The corporation was to have capital stock of $5,000,000 subscribed to by the U. S. Government and authority to issue $100,000,000 of its bonds for sale directly to the U. S. Government for the payment of both principal and public, but carrying the unconditional guarantee of the interest.

Hearings were held on S.589 before a subcommittee of the Senate Committee on Foreign Relations on April 14-16 and May 20-21, 1953. Witnesses representing the Treasury Department and the Bureau of the Budget objected to the method of financing and recommended substitution of direct obligations of the government for the guaranteed bond provisions. Adopting these suggestions and certain others having to do principally with the management of the corporation, the Senate committee reported out favorably on June 16, 1953, S.2150, which superseded S.589. This bill was not considered on the floor of the Senate during the first session, but from various announcements of the Senate majority leader, it appeared likely that the bill would be considered early in the second session.

Continued Pressure

Hearings on H.J.Res.104 were conducted by the House Committee on Public Works in June 1953, but no consideration was given to the measure in executive session.

Continued pressure for the passage of S.2150 is difficult to understand in the light of the fact that Canada is already obligated to build all of the works necessary for the completion of a 27-foot waterway through the St. Lawrence river, including works in the International Rapids section on the Canadian side. Until Canada should decide not to construct the portion of the waterway through the International Rapids section, the works authorized by S.2150 would merely constitute duplicate facilities which no one has claimed would have any justification. It is not at all clear that Canada will not continue with its plans for the construction of a complete waterway on the Canadian side in view of announcements by Canadian officials that construction of the entire waterway on the Canadian side would be more economical from the standpoint of construction and more efficient from the standpoint of maintenance and operation and in view of the further statement that Canada would prefer to construct the waterway alone. In this confused state, however, proponents continue to push for adoption of S.2150.

Mahaffie Act Changes

Other Developments. Other measures of interest to railroads, with indication of the last action given by the first session of the 83d Congress, follow.

Public Law 163. This measure, enacted on July 30, 1953, provided for the liquidation of the Reconstruction Finance Corporation and transferred certain R.F.C. functions to the Small Business Administration operating under the Treasury Department.

S.978 and H.R.2970. These two bills would amend Section 20b of the Interstate Commerce Act (Mahaffie Act) relative to terminating railroad bankruptcy proceedings. The Senate bill, proposing to facilitate consummation of railroad reorganizations by lowering the proportion of assents required of security holders for approval of a plan from three-fourths of each issue's principal amount outstanding to two-thirds of each issue's securities reported as voting, was reported with amendments from committee on April 10, 1953 (Senate Report No. 139). H.R.2970, the companion bill in the House, received no consideration during 1953 by the House Committee on Interstate and Foreign Commerce.

S.1976 and H.R.5305. These proposals would extend coverage of the Hours of Service Act to include crews

making repairs to signal devices and would lower maximum permissible hours of service for selected railroad operating personnel. The bills were referred to the respective Committees on Interstate and Foreign Commerce.

TRANSPORTATION STUDIES AND REPORTS

Federal User Charges Study. A major study released during 1953 was that of the Department of Commerce titled "Charges for Private Use of Federally Provided Transportation Services and Facilities," issued in July. This staff study, substantially compiled during 1952, covered developments in the field of federal aid to the various modes of transport, notably air, highway and water, since the early 1930's.

Defining a user charge as one "made to beneficiaries or users of services and facilities directly related to transportation and furnished in whole or in part by the federal government," the report concluded that it had long been the traditional policy of the federal government to provide aid to further development of the nation's transportation systems, but that since the 1930's, no general policy had been established to provide for the recovery of these expenditures.

Noting (p. 37) that at the present time rail transportation does not use or receive federal services, facilities, or grants in the same degree as do highways, airports, or waterways, the report recommended establishment of a general policy of user charges applicable to transportation services and facilities which are of special benefit to identifiable users. The report then discussed at length a recommended policy and procedure to follow in the development of a charges system.

Study of the Railroad Passenger Deficit Problem, 1953. This study, adopted by the National Association of Railroad and Utilities Commissioners in New York September 23, reported progress made during the year on eight recommendations contained in the 1952 study of like title. The report pointed to the improvements made in earnings of the Railway Express Agency and to the efforts of the carriers to improve service to the public, but concluded that the 1952 passenger service deficit of $643,000,000, representing a decline of 5.7 per cent from the record high of 1951, could be considered as only token progress toward the solution of this "desperately serious problem."

Stating that 249 unprofitable passenger trains had been discontinued out of the 1,200 reported in the association's May 1951 special survey as not earning even their out-of-pocket costs, the committee called attention to the fact that on May 15, 1953, the railroads had pending 97 additional applications before state bodies to discontinue unprofitable passenger trains. In this connection, however, the committee expressed particular disappointment in their failure to secure support of railway labor in these endeavors and, as well, the slowness with which the various state regulatory bodies acted.

Among the difficulties found to exist was failure of the railroads in many instances to furnish adequate and timely information. To remedy this situation, the report included a 24-page appendix setting forth a "Standard Application Form" which the carriers might present to various state regulatory commissions when seeking authority to discontinue further operation of deficit passenger trains.

Government Reorganization Study. A survey conducted privately by Temple University and supplied to President Eisenhower shortly after his election in 1952 was made public on December 10, 1953. While a few of the 126 specific recommendations were embodied in the 10 reorganization plans which Congress accepted during the year, the sum total of the report was that the 70 independent agencies of the federal government be consolidated into 30 or fewer organizations.

Among nine specific recommendations were proposals that the executive consider setting up a single agency to handle all transportation matters, that the various diverse agencies handling flood and waterway projects be consolidated, and that the Post Office Department be reorganized to permit a separate appropriation for each deficit class of mail. In addition, the report proposed major revisions for the Department of Labor including a specific recommendation that immediate steps be taken to transfer the mediation service and duties of the Railway Mediation Board to the National Labor Relations Board.

LITTLE IMPROVEMENT IN THE COMPETITIVE SITUATION

The ability of competitive transport agencies to obtain increasing proportions of the nation's freight and passenger traffic was equally if not more detrimental to the railroads in 1953 than in recent years. Competition was especially severe from motor carriers and air carriers with expansion of service and facilities in both fields.

During the year significant developments occurred in the competitive field, some of which are outlined below.

Motor Vehicle Registrations. The Bureau of Public Roads estimated on August 30 that motor vehicle registrations in the United States would reach a new high of 54,700,000 vehicles at the end of 1953. Automobile registrations would aggregate 45,035,000, an increase of 2.8 per cent over 1952. Truck and bus registrations combined, estimated at 9,674,000 for 1953, would be a corresponding increase of 2.4 per cent.

Truck Movement of Mail. At the end of October 1953, a total of 425 truck routes for handling short-haul mail were in operation, compared with 270 on June 30, 1952, an addition of 155 short-haul routes during the 16-month period. According to Assistant Postmaster General John C. Allen, approximately 17 new short-haul routes will be added during each month of fiscal 1954.

Air Lines to Move First Class Mail. Postmaster General Summerfield petitioned the Civil Aeronautics Board on September 8 to authorize movement of first class mail by air (at regular postage rate of three cents) between New York and Chicago and between Washington and Chicago on an experimental basis for a period of one year. Following the board's approval on September 21, the week of October 5 was selected by the Post Office Department to begin the experiment on a "space avail-

able" basis. Such movement is at the convenience of the authorized carriers, within a certain time limit, and will utilize space which would otherwise remain empty on regular flights. Under the plan four scheduled air lines—American, Capital, Trans-World, and United — will handle this type of mail at rates of 18.66 cents per ton mile between New York and Chicago and 20.04 cents between Washington and Chicago, compared with rates of 45 cents for three of those companies and 53 cents for the other for handling regular air mail. Postal officials have reiterated that first class mail is not necessarily guaranteed air delivery since regular air mail, air parçel post, and air travelers will have priority.

Air Lines Competing

Since the plan went into effect, a group of 40 non-certificated (non-scheduled) air carriers have offered to carry first class mail between the three cities for only 15½ cents per ton-mile. On December 3, the Civil Aeronautics Board decided it had power to exempt non-certificated carriers from licensing requirements of the Civil Aeronautics Act, so that these carriers would not need to hold licenses in order to carry mail. However, on December 22 the C.A.B. declined to allow the non-scheduled air lines to carry mail.

The Civil Aeronautics Board on December 15, at the request of the Post Office Department, issued another order which permitted 14 local service air lines to handle first class mail over their scheduled routes throughout the country during the Christmas season. The board said that, such action would expedite the transportation of holiday mail, and help cut down the government subsidy paid to these air lines.

Shifting the Subsidy

Service Mail Rates. The Civil Aeronautics Board issued an order on September 16 to all certificated air mail carriers and the Post Office Department, establishing service mail rates pursuant to the government's Reorganization Plan No. 10. Under that plan the postmaster general is responsible for "service" mail payments and the C.A.B. is responsible for "subsidy" mail payments. Effective October 1, 1953, the postmaster general will pay to each air carrier a fair and reasonable "service" rate for the transportation of mail, which will be fixed by the C.A.B. without regard to a "subsidy" rate. The "service" rate will be fixed by the board in accordance with standards prescribed by Section 406 of the Civil Aeronautics Act, but without regard to the so-called "need" provision of Subsection (b) thereof. Under Plan No. 10, the board is authorized to fix the initial "service" mail rates to be paid without prior notice and hearing. However, such initial rates are thereafter subject to review and redetermination, after notice and hearing, upon petition of the postmaster general, or the certificated air carriers concerned, or upon the board's own motion.

The latest revision of the administrative subsidy separation report for both domestic and international air carriers was issued by the C.A.B. in September 1953. Revised figures and estimates were included for the fiscal years 1951-1955. The report established thee following division of total mail payments between service mail pay and subsidy for domestic air carriers:

	Fiscal Years (thousands of dollars)				
	1951	1952	1953	1954	1955
Service mail pay	$27,490	$33,744	$35,367	$36,354	$38,148
Subsidy	35,938	25,221	26,162	29,801	29,970
Total mail payments	63,428	58,965	61,529	66,155	68,118

Summarizing these statistics, it appears that for the five years combined, subsidy payments will have constituted 46 per cent of total mail payments to domestic air carriers.

Increase in Air Freight Rates. The Civil Aeronautics Board on October 21 increased minimum air freight rates by 25 per cent, simultaneously ordering the air lines to increase their charges accordingly as of November 20. The board specified that each carrier give at least ten days' notice to shippers before new tariffs are placed in effect.

The new minimum rates will be 20 cents a ton-mile for the first 1,000 ton-miles of a shipment, and 16¼ cents for each ton-mile thereafter. Below-minimum directional rates, authorized by special orders, are to be increased "so as to maintain the existing relationships."

Extension of "Air Coach" Service. Following a study of domestic "air coach" operations, the C.A.B. announced on October 5 an indefinite extension of such services at fares no higher than those now in effect. The board stated that such operations have been profitable and have contributed significantly to the growth in total air traffic while apparently causing little net diversion from other air services. Ten scheduled air lines operate coach service at fares ranging from 4 to 4½ cents per mile, compared with a fare of 6 cents a mile on first-class air flights. The C.A.B. urged that present fare levels be applied to any proposed new coach services, but in no instance can they exceed 75 per cent of corresponding first-class rates.

Air Line and Waterway Policy

Review of Civil Aviation Policy. The Air Coordinating Committee was directed by President Eisenhower on September 23 to make a comprehensive review of United States civil aviation policy. In a letter to Robert B. Murray, Jr., chairman of the committee and under secretary for transportation, Department of Commerce, the President said that "the increasing importance of aviation as an instrument of national policy and to our national welfare makes it desirable that there be available to the government agencies, the aviation industry, and the public, a clear and comprehensive statement of the aviation policies of this administration." He also pointed out that it has been over five years since a broad review of U. S. aviation policy was completed and many events of major significance have occurred in the interim. The committee announced on November 6 the specific items to be considered in its survey.

Inland Waterways Corporation Sold. The Department of Commerce on July 24 announced the sale of Inland Waterways Corporation to the Federal Waterways Corporation, a newly formed subsidiary of the St. Louis Shipbuilding & Steel Co. In addition to the sale price of $9 million, the government retained quick assets of the barge lines which, after deductions of current liabilities,

should net approximately $2,700,000 in cash and accounts receivable. In announcing the signing of the sales contracts, Secretary of Commerce Weeks said the sale is "good business" for the taxpayers as the Inland Waterways Corporation, from 1939 to 1952, accumulated losses of $9,749,000, losing money in 12 of those 14 years.

In acquiring the barge lines, the Federal Waterways Corporation agreed to continue common carrier services for less-than-bargeload and less-than-carload shipments in a manner substantially similar to the services rendered by the Inland Waterways Corporation. The agreement requires the new company, among other things, to maintain such joint tariffs with rail carriers as shall make generally available the privileges of joint rail and water transportation upon terms reasonable and fair to both rail and water carriers, maintenance of reasonable and fair joint tariffs with motor carriers whenever feasible in the promotion of transportation service, and arrangements for interline traffic with other transportation services.

Federal Barge Lines, Inc.

The certificate of incorporation of the Federal Waterways Corporation was later amended to change the company's name to Federal Barge Lines, Inc.

In an order dated September 14, 1953, the Interstate Commerce Commission granted Federal Barge Lines, Inc., temporary approval to exercise and control the operating rights and properties of the corporation for a period of 180 days. The purchase was authorized by a commission order dated December 3, 1953, and must be consummated on or before March 14, 1954.

Gas Pipeline Authorizations. The Federal Power Commission during the first six months of 1953 issued certificates authorizing construction of natural gas pipeline facilities designed to add more than 2¼ billion cubic feet of daily delivery capacity to the nation's transmission systems. Authorizations during the six-month period included 4,891 miles of pipeline, and covered new facilities having a total estimated construction cost of $549 million. These projects, when completed, will serve 69 cities of 50,000 population or more in 19 states and the District of Columbia, as well as numerous smaller communities.

Federal Aid Continues

Oil Pipeline Construction. The Petroleum Administration for Defense estimated in June that if construction remains on schedule a record of 10,000 miles of new pipelines will have begun carrying crude oil and products during 1953. This estimate includes 4,500 miles of product lines, 4,500 miles of principal crude oil lines, and 1,000 miles of crude oil gathering lines.

Highway, Air, and Waterway Appropriations. Fiscal 1954 appropriations provided substantial expenditures for the benefit of competitors of the railroads. Appropriations for the Department of Commerce (Public Law 195) included approximately $139 million for the Civil Aeronautics Administration and its various air transport activities, and $475 million for the federal-aid highway program of the Bureau of Public Roads to remain available until expended. Public Law 413 of the 82nd Congress authorized federal-aid highway appropriations of $575 million for each of the fiscal years 1954 and 1955. The Civil Functions Appropriations Act (Public Law 153) approved July 27, carried 1954 appropriations of $421.7 million for rivers and harbors and flood control, of which $278.7 million was for general construction, $79 million for operation and maintenance, $51.4 million for Mississippi river and tributaries, and $12.6 million for general expenses and investigations.

WHAT'S THE OUTLOOK FOR 1954?

What the immediate future holds for the railroads depends in part upon the course of general business activity during the next 12 months, in part upon the outcome of wage negotiations pending at the year's outset, in part upon developments in the field of competition, and finally upon the carriers' financial ability to carry forward their continuing capital improvement program.

While firm answers cannot be given to these questions at this time, developments to date with respect to each of them indicate a pattern. Industrial production in the United States, as measured by the index compiled by the Federal Reserve Board, showed substantial increases over 1952 in each of the first eight months of 1953, small increases in the next two months, and decreases in the final two months of the year. Barring unforeseeable developments, the trend line of general business activity in 1954 seems destined to stay below that of 1953 throughout the year, although few observers look for other than a moderate spread between the lines for the two years. The consensus seems to center around a drop of 10 per cent in 1954, with a minimum of 5 per cent and a maximum of 15 per cent. The pattern may become more clearly defined after returns for the first quarter of 1954 are in hand.

In an agreement with the Brotherhood of Railroad Trainmen dated December 16, 1953, covering about 10 per cent of all railroad employees, a wage increase of 5 cents per hour above existing levels and an additional week's vacation with pay after 15 years of service were granted. While agreements with other railroad labor organizations are in various stages of collective bargaining, the agreement with the B.R.T. is at least indicative that railroad payroll costs will be relatively greater in 1954 than in 1953.

Growth in competitive agencies of transport continues. While it is hoped that some of the flagrant inequities presently existing will eventually be eliminated, progress toward that goal in 1954 may be slow.

One solid prediction that can be made with respect to the railroads in 1954 is that they will be more efficiently and economically operated than ever before. Nine billion dollars in the form of capital improvements have been ploughed into the railroad physical plant during the past eight years, transforming a war-weary industry of 8 years ago into the finest transportation system the world has ever known. The future of the railroad industry rests in very considerable measure upon the ability of the carriers to continue such capital work.